

Before the Minnesota Public Utilities Commission

State of Minnesota

In the Matter of the Application of Minnesota Power  
For Authority to Increase Rates for Electric Utility  
Service in Minnesota

Docket No. E015/GR-16-664

Exhibit \_\_\_\_\_

**BUDGETING, COST ALLOCATIONS, AND EXPENSES**

June 29, 2017

## Table of Contents

	Page
I. INTRODUCTION .....	1
II. EMPLOYEE EXPENSES .....	2
A. Overview .....	2
B. Use of a Three-Year Historic Average .....	5
C. Specific Travel, Entertainment, and Employee Expenses .....	8
D. Membership Dues .....	12
E. Employee Gifts .....	20
III. CONCLUSION .....	21

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Steven W. Morris and my business address is 30 West Superior Street,  
4 Duluth, Minnesota 55802.  
5

6 **Q. What is your current position with ALLETE, Inc.?**

7 A. I am the Vice President, Controller and Chief Accounting Officer for ALLETE, Inc.,  
8 doing business as Minnesota Power (“Minnesota Power” or the “Company”) (formerly  
9 Controller).  
10

11 **Q. Did you provide Direct Testimony in this rate case?**

12 A. Yes. I presented an overview of the Company’s budgeting process, including the  
13 reliability of its budgets. I also presented an overview of the Company’s cost  
14 containment efforts since its previous rate case (Docket No. E015/GR-09-1151),  
15 including the quantifiable savings and qualitative efficiency efforts we have undertaken.  
16 I described the Company’s cost allocation processes. I provided support for the  
17 Company’s information about travel, entertainment, and related employee expenses,  
18 including describing the process by which that information was gathered and budgeted  
19 for the test year. I also briefly discussed the Company’s discontinued use of  
20 decommissioning probabilities.  
21

22 **Q. What issues will you address in this Rebuttal Testimony?**

23 A. I will address comments by Minnesota Office of the Attorney General – Residential  
24 Utilities and Antitrust Division (“OAG”) witness Ms. Shoua Lee about employee expense  
25 methodology, specific employee expenses, membership dues and lobbying, and employee  
26 gifts. I will also address comments by Minnesota Department of Commerce, Division of  
27 Energy Resources (“Department”) witness Ms. Lerma La Plante regarding the  
28 Company’s employee expense methodology.  
29

1 **Q. Are you sponsoring any exhibits in connection with your Rebuttal Testimony in this**  
2 **proceeding?**

3 A. Yes. I am sponsoring the following exhibits:

- 4 • Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 1 – Response to Department IR No. 1184.
- 5 • Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 2 – Response to OAG IR No. 107.
- 6 • Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 3 – Response to OAG IR No. 140.
- 7 • Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 4 – Response to OAG IR No. 152.
- 8 • Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 5 – Additional Adjustment for Lobbying  
9 Activity.

## 11 II. EMPLOYEE EXPENSES

### 12 A. Overview

13 **Q. Please identify the amount of employee expenses that Minnesota Power included in**  
14 **the 2017 test year for purposes of this rate case.**

15 A. Minnesota Statutes section 216B.16, subdivision 17 (the “Employee Expense Statute”)  
16 requires Minnesota Power to provide detailed information about certain categories of  
17 employee expenses as part of its initial filing in the rate case. At pages 37-47 of my  
18 Direct Testimony, I explained the process by which we extracted data to develop the  
19 required employee expenses schedules. The Employee Expense Statute requires that the  
20 Company provide employee expense data from the most recent completed fiscal year,  
21 which was 2015. The employee expense amounts are summarized by category in the  
22 Company’s response to OAG IR No. 315<sup>1</sup>; the total of those 2015 employee expenses  
23 was \$5,119,519 (Total Company).

24  
25 Next, the employee expense budget for 2017 was developed. As I described in my Direct  
26 Testimony, the budget process is a “bottom up process” undertaken by each  
27 Responsibility Center of the Company. As part of this, each Responsibility Center  
28 projects the amount of employee expenses it expects; those are aggregated into an overall  
29 employee expense budget. Exhibit \_\_\_\_ (SWM), Direct Schedule 11 summarizes the

---

<sup>1</sup> See Lee Direct at Schedule (SL-22) (column headed “Amount Included in 2015 Actuals”).



1 employee expense amounts by category; the total 2017 employee expenses budget is  
2 \$6,373,590 (Total Company).

3  
4 The Company then analyzed the 2015 employee expense data to identify expenses that  
5 should not be included for various reasons: vague business purpose; employee  
6 recognition expenses (except for recognition related to safety achievements); foreign  
7 travel (except as was specifically related to utility operations); lobbying; 50 percent of  
8 investor relations employee expense-related transactions; and life and social event  
9 transactions, except for non-discretionary length of service and retirement awards issued  
10 by ALLETE's Human Resources Department. The Company used this as a proxy for the  
11 adjustment that would have to be applied to the 2017 budget (except for a few types of  
12 expenses where an adjustment using 2017 data was readily identifiable). The resulting  
13 adjustment to be applied to the 2017 employee expenses budget, as is shown in  
14 Exhibit \_\_\_\_ (SWM), Direct Schedule 11, was \$1,620,291 (Total Company). After  
15 application of this adjustment, the resulting employee expense budget for 2017 is  
16 \$4,753,299 (Total Company). This is the employee expense figure that Minnesota Power  
17 proposed to include in base rates for purposes of this rate case.

18  
19 **Q. Why did the Company use this methodology?**

20 A. First, it is consistent with the Employee Expense Statute, which requires Minnesota  
21 Power to compile the expense schedules based on the most recently-completed fiscal  
22 year. And because the adjustment is based on actual transaction data from the most  
23 recent completed fiscal year, it is as up-to-date as reasonably possible. Second, this  
24 process is consistent with Minnesota Power's budgeting process and the future test year.  
25 Third, this process provides an incentive for Minnesota Power to carefully monitor and  
26 improve its management of employee expenses. The process accomplishes this by,  
27 essentially, calculating a stand-alone rate review adjustment based on past employee  
28 expenses that is applied to the future test year. The reduction in the revenue requirement  
29 represented by the adjustment ensures that the budget for the future test year excludes  
30 non-recoverable expenses and includes only employee expenses that are consistent with

1 the purposes of the Employee Expense Statute. Fourth, this process is consistent with  
2 how other utilities have developed employee expense budgets for the test year.  
3

4 **Q. Do you believe that the Company's 2017 test year budget for employee expenses is**  
5 **appropriate?**

6 A. Yes. As noted at pages 8 and 9 of my Direct Testimony, the Company implemented cost  
7 control measures in 2015 to help offset its Large Power customers' lower demand. These  
8 efforts included compensation-related savings from a reduction in head count through  
9 attrition, a temporary freeze on external hiring, the delay of contract and professional  
10 services expenditures, and especially stringent employee-related expense containment  
11 (such as on education and vehicle use). These efforts continued in 2016 due to the same  
12 conditions that existed in 2015, namely lower-than-expected sales to the Company's  
13 Large Power customers. I also noted that the efforts employed in 2015 (and also in 2016)  
14 are not sustainable in the long run. Purchasing delays and employee-related expenses  
15 such as those implemented in 2015 can only stay in place for a finite time; otherwise,  
16 they would negatively impact the Company's employees' ability to do their work and  
17 provide excellent customer service.  
18

19 In my Direct Testimony, I noted that "we do expect our 2017 sales forecast to be lower  
20 than in the past in some respects – although higher than 2015 and 2016."<sup>2</sup> Subsequent to  
21 my Direct Testimony, the Company updated its Large Power sales forecast to reflect an  
22 expectation of a further increase in load, due to the improved economic conditions in our  
23 service territory. This could result in an increase in employee expenses, particularly  
24 travel and lodging to serve the electricity delivery systems for these customers, so that the  
25 amount of employee expenses is similar to years in which the load was similar to what is  
26 expected in 2017. However, the Company continues to request the level of employee  
27 expense requested in my Direct Testimony, subject to the minor adjustments discussed  
28 herein.  
29

---

<sup>2</sup> Morris Direct at 9.

1        **B.        Use of a Three-Year Historic Average**

2        **Q.        Do Ms. Lee and Ms. La Plante agree with the methodology Minnesota Power used to**  
3        **develop, and then adjust, the Company's employee expenses budget for the 2017 test**  
4        **year?**

5        A.        No. They propose a different methodology: the use of a three-year historic average.  
6

7        **Q.        Please summarize Ms. Lee's Direct Testimony about the use of a three-year historic**  
8        **average.**

9        A.        Ms. Lee analyzed the employee expenses with the expenses for membership dues and  
10        gifts removed. She apparently did this because, as I will address below, she believes dues  
11        and gifts should be wholly excluded from the employee expenses budget. She noted that  
12        the Company's budgeted amount for employee expense (excluding dues and gifts, and  
13        before the adjustment) for 2017, \$4,907,032 (Total Company), is higher than the similar  
14        figures for 2015 and 2016. She stated that the reasonableness of the 2017 budgeted  
15        amount for employee expense (excluding dues and gifts) should be analyzed by  
16        comparing to a three-year historic average of these costs, using the years 2014 to 2016.  
17        She also asserted that the Company's use of the 2015 adjustment understated the amount  
18        of the adjustment, and that a three-year historic average should also be used for the  
19        adjustment. Because no 2014 or 2016 adjustment analysis has been performed, she  
20        extrapolated an adjustment for those years from the 2015 data. Ms. Lee concluded that  
21        an adjusted 2017 employee expense budget (excluding gifts and dues) of \$3,056,816  
22        (Total Company) is appropriate, much lower than the Company's adjusted budget for  
23        employee expense for the test year.  
24

25        In her Direct Testimony, Ms. Lee also requested 2014 to 2017 budgeted, actual, and  
26        "adjustment" amounts for every category of employee expense. The Company provided  
27        budgeted and actual information in response to OAG information requests, but because,  
28        as I noted above, no 2014 or 2016 adjustment analysis has been performed, it is not  
29        possible to provide the requested "adjustment" amounts. The 2015 adjustment analysis,  
30        as described in my Direct Testimony, took months of work and is consistent with what  
31        has been deemed acceptable in prior Commission proceedings.

1  
2 **Q. Please summarize Ms. La Plante's Direct Testimony about the use of a three-year**  
3 **historic average.**

4 A. Ms. La Plante looked at the total, unadjusted amount of employee expenses. She noted  
5 that the Company's 2017 budget was higher than in 2015 and 2016 but lower than in  
6 2014, and recommended that a three-year historic average, using the years 2014 to 2016,  
7 should be used to determine the employee expense budget. Her average results in a 2017  
8 employee expense budget that is lower than what the Company proposed.  
9

10 **Q. Do you agree with the use of the three-year historic average methodology, as Ms.**  
11 **Lee and Ms. La Plante recommend?**

12 A. No. Minnesota Power's 2017 budget reflects appropriate costs for employee expenses,  
13 and is similar to the years 2012, 2013, and 2014, when sales were similar to what are  
14 projected for the 2017 test year. As stated in my Direct Testimony, page 9, overall, the  
15 Company's 2017 employee expenses are part of a total operations and maintenance  
16 ("O&M") level that is roughly equivalent to 2010 overall O&M levels but-for the  
17 addition of the Bison Wind Farm.  
18

19 As such, the Company is not proposing unusually high or unreasonable levels of O&M  
20 expense. In contrast, Ms. Lee's and Ms. La Plante's comparisons to 2015 and 2016 are  
21 misplaced because, as I explained above, those years were marked by an unusually  
22 stringent approach to employee expenses, necessitated by the business downturn in those  
23 years.  
24

25 In addition, the outcome of their proposed averaging methodology varies depending on  
26 what group, or number, of years is used. In one utility's recent rate case, Ms. Lee did not  
27 advocate for the use of an averaging method.<sup>3</sup> In another utility's recent rate case, Ms.  
28 Lee advocated for the use of a four-year average, rather than a three-year average, to

---

<sup>3</sup> *In the Matter of the Application of Otter Tail Power Co. for Auth. to Increase Rates for Elec. Serv. in Minn.*,  
Docket No. E017/GR-15-1033, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 45-50 (May 1, 2017).

analyze employee expenses.<sup>4</sup> There is no apparent reason why Ms. Lee and Ms. La Plante chose to use a three-year, as opposed to a four-year, five-year, or six-year, historical average, in this case.

**Q. What would the result be if a longer period were used?**

A. As noted above, I believe the Company's proposed 2017 test year employee expense budget is reflective of the ongoing level of expenses required to effectively operate and in light of Minnesota Power's projected level of 2017 revenues. However, if an averaging method of employee expenses was to be used, I believe a longer period should be used to include years where the sales results were more similar to the 2017 forecast. Specifically, a five-year average from 2012 to 2016 would be more representative of Minnesota Power's historical expenses, including normal expense in the years 2012, 2013, 2014, and the two outlier years, 2015 and 2016. Using the methodology on page 73 of Ms. Lee's Direct Testimony, a five-year average results in \$3,253,774 (Total Company) of employee expenses as shown in Table 1, as opposed to the \$3,056,816 (Total Company) that Ms. Lee proposes using three years.

**Table 1. OAG Methodology Five-Year Average**

	2012 Actual (per DOC IR 115)	2013 Actual (per DOC IR 115)	2014 Actual (per DOC IR 115)	2015 Actual (per DOC IR 115)	2016 Actual (per OAG IR 131)	2017 Test Year Net of Adj (per OAG IR 315)
Travel and Lodging	\$ 2,274,660	\$ 2,119,224	\$ 2,178,372	\$ 1,606,403	\$ 1,651,194	\$ 1,367,771
Food and Beverage	677,234	742,601	679,495	542,107	618,953	423,544
Board Expenses and Compensation	1,108,976	1,228,135	1,077,193	1,040,184	1,070,118	891,791
Expenses of Ten Highest Paid Employees	184,624	120,415	286,466	192,228	127,434	221,659
Recreation and Entertainment	(220)	(86)	(236)	(183)	(242)	-
Corporate Aircraft	518,165	454,654	506,306	425,908	295,268	-
Registration/Fees/Parking/Other	671,605	655,195	715,577	418,280	459,632	661,382
Lobbying	-	-	-	-	-	(237,194)
<b>Total, Excluding Dues and Gifts</b>	<b>\$ 5,435,044</b>	<b>\$ 5,320,138</b>	<b>\$ 5,443,173</b>	<b>\$ 4,224,927</b>	<b>\$ 4,222,357</b>	<b>\$ 3,328,953</b>
<b>Adjustment, excluding Lobbying</b>	<b>\$ (1,847,915)</b>	<b>\$ (1,808,847)</b>	<b>\$ (1,850,679)</b>	<b>\$ (1,433,728)</b>	<b>\$ (1,435,601)</b>	<b>\$ 237,194</b>
<b>Adjusted Total</b>	<b>\$ 3,587,129</b>	<b>\$ 3,511,291</b>	<b>\$ 3,592,494</b>	<b>\$ 2,791,199</b>	<b>\$ 2,786,756</b>	<b>\$ 3,566,147</b>
<b>Five Year Average</b>					<b>\$ 3,253,774</b>	

Amounts are Total Company

<sup>4</sup> *In re Application of N. States Power Co., d/b/a Xcel Energy, for Auth. to Increase Rates for Elec. Serv. in the State of Minn.*, Docket No. E-002/GR-15-826, DIRECT TESTIMONY OF SHOUA LEE at 7-14 (June 14, 2016).

1 **Q. Does the use of a multi-year average make the determination of employee expenses**  
2 **more reasonable?**

3 A. I do not think so. There are always going to be years from time to time where unusual  
4 market conditions have anomalous effects on Minnesota Power's finances, including its  
5 actual employee expenses. Thus, in every rate case, there will be argument about  
6 whether specific years ought to be included in the historical average. Ms. Lee's and Ms.  
7 La Plante's proposed methodology does not make anything more "reasonable"; it just  
8 creates areas of potential disagreement.

9  
10 **C. Specific Travel, Entertainment, and Employee Expenses**

11 **Q. Please summarize the Direct Testimony of other parties regarding individual types**  
12 **of expense incurred for employees' travel, entertainment, and other expenses.**

13 A. The OAG, through the Direct Testimony of Ms. Lee, was the only party that addressed  
14 specific employee expenses. Ms. Lee testified that Minnesota Power did not provide all  
15 the required information as to certain transactions; expressed concern about transactions  
16 that list Minnesota Power as the credit card merchant; and questioned a few specific  
17 expense transactions.

18  
19 **Q. Are there some transactions as to which Minnesota Power did not provide all the**  
20 **information required by law?**

21 A. No. The Company has complied with the requirements in Minnesota Statute section  
22 216B.16, subdivision 17.

23  
24 Ms. Lee's concern involves transactions that are reimbursements to Minnesota Power  
25 employees where the transaction information does not identify the company to which the  
26 employee paid the money that is being reimbursed. She lists these transactions in  
27 Schedule SL-23 of her Direct Testimony, starting at page 54 of that schedule. She  
28 recommends that such transactions should be disallowed on the basis that Minnesota  
29 Power has not identified the vendor name. But she misunderstands who the "vendor" is  
30 with respect to these transactions. When an employee purchases an item with his or her  
31 own credit card or cash, the employee is considered the "vendor" that the Company is

1 paying. This is logical, and is standard practice in any expenses tracking system, as the  
2 system needs to know who to pay. This was explained by the Company in its response to  
3 OAG IR No. 313, attached to Ms. Lee's Direct Testimony as Schedule SL-24. Further,  
4 the Employee Expense Statute allows the Company to use "standard accounting reports  
5 already utilized by the utility," which is what Minnesota Power has done here.

6  
7 Further, the identity of the third party that the employee paid can be determined from the  
8 employee's expense report—the actual receipt is attached to the expense report.  
9 Minnesota Power maintains this supporting documentation for future inquiry. But the  
10 names of the third parties are simply not electronically captured within the Company's  
11 system and therefore are not part of standard reports. While Ms. Lee states that it should  
12 be easy for Minnesota Power to provide those names, providing every name would  
13 require Minnesota Power to review the actual hard copy of every expense report and  
14 manually enter this information for each transaction. It would be overly burdensome and  
15 would serve no useful purpose to require the Company to perform this manual process.  
16 The Company has followed the requirements of the Employee Expense Statute.

17  
18 **Q. Do you have any additional concerns with the way Ms. Lee portrayed the**  
19 **Company's information?**

20 A. Yes. Ms. Lee states that in its response to OAG IR No. 313,<sup>5</sup> Minnesota Power said that  
21 it "would not be able to provide the business names" for those transactions where an  
22 employee was reimbursed directly. The Company's response to OAG IR No. 313 did not  
23 say that. Instead, the response states "because Minnesota Power did not pay these  
24 businesses directly, they are not considered a vendor." We provided this information  
25 request response to Ms. Lee in December 2016 and she did not ask for a follow-up.  
26

---

<sup>5</sup> Lee Direct at Schedule SL-24.

1 **Q. Is a review of an expense for which an employer would be the “vendor” completed**  
2 **before an employee is reimbursed?**

3 A. Yes. For all employee expenses, including ones where the employee is the “vendor,” the  
4 employee’s supervisor is responsible for approving the employee expense report and  
5 ensuring that all costs are accurate, business related, and sufficiently documented.  
6

7 **Q. Why do you disagree with Ms. Lee’s position that the company the employee paid**  
8 **should be considered the vendor?**

9 A. Her position is inconsistent with how every other employee expense transaction is  
10 handled. If an employee uses his or her own credit card or cash to pay for a service, for  
11 example, a cab while on a Company trip that only takes cash, when the employee returns  
12 to the office, he or she will prepare an expense report. In preparing that report, the  
13 employee will be required to provide proof of documentation of the amount they paid.  
14 Minnesota Power reimburses the employee directly, as a “vendor” for purposes of  
15 employee expenses. This is no different than where Minnesota Power pays a contractor’s  
16 invoice and records only that contractor’s name in the ledger, even though there may be  
17 third-party expenses detailed on the contractor’s invoice, such as fuel or equipment  
18 rentals. In either case, it is inefficient and unnecessary to track every third party in the  
19 Company’s system.  
20

21 **Q. Does Ms. Lee ask for other information to be supplied as well?**

22 A. Yes. She requested that the Company provide the subaccount and cost types for each  
23 transaction, along with the titles for both, in future filings. The Company can include this  
24 information in future filings if the Commission so orders, although it is not required by  
25 the current statutes.  
26

27 **Q. Please address the concerns raised by Ms. Lee regarding transactions that list**  
28 **Minnesota Power as the credit card merchant.**

29 A. At page 75 of Ms. Lee’s Direct Testimony, she requested clarification as to why  
30 Minnesota Power was listed as the credit card merchant for certain transactions (listed on  
31 pages 1 to 54 of Schedule SL-23 to Ms. Lee’s Direct Testimony), and she asked whether



1 these costs have been included under another O&M expense category in the test year.  
2 Minnesota Power owns and operates a parking ramp at its general office building  
3 location. It is clear from the transaction descriptions in Ms. Lee's Direct Schedule SL-23  
4 that these transactions are for parking at the general office building ramp. Employees  
5 who do not work at the general office building use the ramp while attending various  
6 meetings and trainings. The employees use their company credit card to pay for parking  
7 in the ramp during these visits to the general office building. Minnesota Power is the  
8 vendor in this case.

9  
10 It is appropriate that these costs are included in the calculation of rates because the  
11 revenue generated by the parking ramp is also included in the calculation. There is no  
12 double counting of these costs—they are not included in another O&M expense category  
13 in the test year.

14  
15 **Q. Please address the concerns raised by Ms. Lee regarding transactions identified as**  
16 **pertaining to costs incurred in other states.**

17 A. At page 75 of her Direct Testimony, Ms. Lee refers to three transactions that she believes  
18 are for the benefit of employees to practice as lawyers or accountants in other states and  
19 recommends that these costs be disallowed. I disagree with this recommendation.  
20 Professional licenses and associated professional memberships indicate a level of  
21 professional competency, proficiency, and achievement regardless of the exact location  
22 of the licensing state. Furthermore, the Commission, in its Statement of Policy on  
23 Organization Dues, allows for these types of expenses if they are “a necessary  
24 qualification for the public utility employees to carry on their employment  
25 responsibilities.”

26  
27 One of the three transactions that Ms. Lee identifies pertained to an \$82 payment of a  
28 Certified Public Accountant (“CPA”) license renewal. CPA licensure is an important  
29 qualification for a financial professional. It is entirely appropriate that an employee  
30 maintains that license and that this cost would be included in the calculation of rates.  
31 Minnesota Power encourages employees to further their knowledge in their fields of

1 expertise. The other two transactions are expenses for Minnesota Power in-house  
2 attorneys who are members of the bar of other states (Nebraska and Wisconsin). It is  
3 reasonable for in-house counsel to maintain bar membership in states beyond Minnesota.  
4 And professional licenses and associated professional memberships associated with such  
5 licenses indicate a level of professional competency, proficiency, and achievement  
6 regardless of the licensing state.

7  
8 **Q. Has Minnesota Power committed to any other adjustment related to employee**  
9 **travel expenses?**

10 A. Yes. In OAG IR No. 150, the OAG inquired about a list of dozens of specific travel  
11 expense transactions incurred in 2015. In the course of responding, Minnesota Power  
12 identified that one of the entries on the list should have been excluded, and voluntarily  
13 offered to remove this entry through its Rebuttal Testimony. Accordingly, the  
14 Company's 2017 test year budget for employee expenses is reduced by \$840.73 (Total  
15 Company) (\$727.36 MN Jurisdictional) for this travel expense.

16  
17 In OAG IR No. 144, the OAG inquired about expenses incurred in 2015 by a Minnesota  
18 Power employee in connection with testimony before the Minnesota Legislature.  
19 Although the purpose of the testimony was to provide information, rather than advocate  
20 for a particular position, the Company recognized that the testimony could be considered  
21 lobbying and voluntarily offered to remove this item through its Rebuttal Testimony from  
22 the Company's travel expenses. Accordingly, because this travel expense was related to  
23 lobbying activity, the Company's 2017 test year budget for employee expenses is also  
24 reduced by \$150.42 (Total Company) (\$130.14 MN Jurisdictional) for this travel  
25 expense.

26  
27 **D. Membership Dues**

28 **Q. What information did Minnesota Power present about the amount of membership**  
29 **dues included in its employee expenses?**

30 A. As set forth on Exhibit \_\_\_\_ (SWM), Direct Schedule 11 of my Direct Testimony, the  
31 Company's initial 2017 test year budget for dues and expenses was \$1,418,853 (Total

1 Company). Using the adjustment process I described above, \$17,514 (Total Company)  
2 of dues and expenses were removed. There are also dues and expenses of \$11,525 (Total  
3 Company) included in the category of Expenses of Vice President/Ten Highest Paid  
4 employees, which were explained in Department IR No. 1184.<sup>6</sup> Also, \$149,195 (Total  
5 Company) of dues paid for lobbying activities were adjusted away. The result is an  
6 adjusted 2017 test year budget for membership dues and expenses of \$1,240,619 (Total  
7 Company).  
8

9 **Q. Please summarize the testimony of other parties regarding membership dues.**

10 A. The OAG, through the Direct Testimony of Ms. Lee, was the only party that addressed  
11 membership dues. She found Minnesota Power's presentation of its membership dues  
12 expense to be unclear, and she testified that much of the membership dues expense  
13 should be disallowed on the basis that the dues are for lobbying expenses.  
14

15 **Q. Does Minnesota Power seek to include lobbying expenses in the 2017 test year  
16 budget?**

17 A. No. Minnesota Power agrees that it should not recover lobbying expenses. Ms. Lee is  
18 incorrect in claiming that the organization dues included in the Company's 2017 test year  
19 budget are primarily or exclusively for lobbying activities.  
20

21 **Q. Did Ms. Lee propose that the Company's membership dues for the Edison Electric  
22 Institute ("EEI") be disallowed?**

23 A. Yes. She recognized that the Company had already excluded the portion of its EEI dues  
24 associated with lobbying activity, as reported by EEI. But she argued that a greater  
25 portion of EEI's activity is lobbying and should be excluded.  
26

---

<sup>6</sup> Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 1.

1 **Q. Are Minnesota Power's payments to EEI related to lobbying included in the test**  
2 **year?**

3 A. No. EEI provides many services that Minnesota Power cannot duplicate on its own,  
4 including critical industry data, strategic business intelligence, training, public policy  
5 leadership, and conferences.  
6

7 **Q. How does Minnesota Power know which part of its payments to EEI are for**  
8 **lobbying expenses and which part are for other services?**

9 A. On the invoices Minnesota Power receives from EEI, the dues are divided into dues used  
10 for lobbying expenses and dues that are unrelated to lobbying expenses. Dues related to  
11 lobbying expenses were excluded from the test year. Only dues unrelated to lobbying  
12 expenses have been included in the Company's budget for the 2017 test year.  
13

14 **Q. Did Minnesota Power recover membership dues from EEI in past rate cases?**

15 A. Yes.  
16

17 **Q. Are there recent cases where the Commission allowed recovery for membership**  
18 **dues paid to EEI?**

19 A. Yes. In the 2015 rate case of Otter Tail Power Company ("Otter Tail Power") (Docket  
20 No. E017/GR-15-1033), Otter Tail Power argued that EEI dues were necessary business-  
21 related expenses because EEI provided valuable services that Otter Tail Power could not  
22 duplicate on its own. Ms. Lee took essentially the same position she is taking in this  
23 case, opposing recovery of any dues for EEI. The Administrative Law Judge, and the  
24 Commission, agreed with Otter Tail Power and allowed recovery for the non-lobbying  
25 portion of the EEI dues.  
26

27 **Q. How did Otter Tail Power calculate the lobbying expense portion of dues for its**  
28 **membership dues?**

29 A. Otter Tail Power excluded the lobbying expense portion as identified on the  
30 organizations' invoices, the same as Minnesota Power is doing in this case.  
31

1 **Q. Do the California rate case decisions cited by Ms. Lee compel a different result?**

2 A. No. Those decisions are based on California law, and on a 2005 audit of EEI's activity  
3 done by the National Association of Regulatory Commissioner ("NARUC"). The  
4 NARUC audit results are not in the record in this case, and in any event, they would be  
5 quite obsolete. Most importantly, the utilities in those cases apparently did not use EEI's  
6 division of its dues into lobbying and non-lobbying, as Minnesota Power is doing. The  
7 California rate case decisions are of no persuasive value here.

8  
9 **Q. Does Ms. Lee make additional recommendations to the Commission in connection**  
10 **with the California cases?**

11 A. Yes, at page 53 of her Direct Testimony, she recommends that the Company "report all  
12 association activity using [nine] NARUC audit categories." There is no basis for her  
13 recommendation. The information she seeks is not required by Minnesota's Employee  
14 Expense Statute. Moreover, it is unclear how Minnesota Power would have this level of  
15 detailed information about the activity of EEI or other organizations. As Ms. Lee notes,  
16 the Internal Revenue Service ("IRS") has defined the activities that constitute lobbying  
17 and political expenditures. There is no need for the level of additional detail that Ms. Lee  
18 requests.

19  
20 **Q. How do you respond to Ms. Lee's other comments about Minnesota Power's dues to**  
21 **EEI?**

22 A. Ms. Lee suggests that the EEI dues should be disallowed in part because some of  
23 Minnesota Power's dues to EEI go to the Utility Solid Waste Activity Group  
24 ("USWAG") and the Utility Air Regulatory Group ("UARG"), which she says exist  
25 solely for advocacy purposes. USWAG and UARG do not exist solely for advocacy  
26 purposes. Rather, they provide information related to solid waste and air regulations that  
27 affect electric utilities, for informational and regulatory legal proceedings. Membership  
28 in USWAG and UARG is beneficial to the Company and customers because air and solid  
29 waste issues are subject to complex and frequently-changing regulations at both the  
30 federal and state level, and Minnesota Power's participation in these groups ensures that

1 the Company's personnel are current on such regulations and their impact on our  
2 operations.

3  
4 She also argued that the EEI dues should be disallowed on the basis that the Company  
5 has not provided enough information about the activities of EEI, USWAG, and UARG.  
6 The Company provided information on these organizations in its responses to multiple  
7 OAG information requests; namely, OAG IR No. 107, OAG IR No. 140, and OAG IR  
8 No. 152. The Company's responses to OAG IR Nos. 107, 140, and 152 are attached as  
9 Exhibit \_\_\_\_ (SWM), Rebuttal Schedules 2, 3,<sup>7</sup> and 4, respectively.<sup>8</sup> EEI uses the IRS  
10 definition to provide a division that has been deemed reliable in past Minnesota cases.  
11 Ms. Lee has not explained why this approach is unreasonable.  
12

13 **Q. Do you agree with Ms. Lee's assertion that the membership dues of certain other**  
14 **organizations should be disallowed from recovery?**

15 A. No. Ms. Lee says that the dues paid to ten other organizations—Minnesota Forest  
16 Industries, Minnesota Timber Producer Association, American Wood Protection  
17 Association, Utility Water Act Group, National Hydropower Association ("NHA"),  
18 Western Coal Traffic League, Mining Minnesota, National Association of Manufacturers,  
19 National Coal Transportation Association, and World Steel Dynamics Incorporated—  
20 should be disallowed. These organizations provide valuable services and information  
21 that Minnesota Power cannot duplicate on its own. Minnesota Power provided  
22 information on the important work of these organizations in response to OAG IR 152.<sup>9</sup>  
23

24 For example, NHA works to maximize the role that available, affordable, reliable, and  
25 sustainable hydropower plays in the U.S. electricity sector. This is especially important  
26 for Minnesota Power because of the significant role of hydropower on the Company's

---

<sup>7</sup> Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 3 does not include attachments OAG IR 140.02 Attach through OAG IR 140.12 Attach as these voluminous pages include only historic invoices from the organizations. The included attachments provide the details on the organizational activities.

<sup>8</sup> Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 4 includes the Company response to OAG IR No. 152 and the two additional information request responses cited therein, namely the Company's responses to OAG IR Nos. 141 and 1191.

<sup>9</sup> Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 4.

1 system and Minnesota's emphasis on renewable energy. Minnesota Power staff have  
2 participated in meetings where NHA has facilitated conversations between the hydro  
3 industry and FERC regulators to discuss compliance issues and license questions.  
4 Company staff are also involved with several NHA committees and have participated in  
5 NHA hydro relicensing and negotiation trainings and workshops. In addition, NHA has  
6 helped Minnesota Power obtain Department of Energy grants, including one for energy  
7 efficiency at Fond du Lac Hydro. Finally, NHA supplied information about tax credits  
8 that provided a significant benefit to the Company as part of the Thomson Hydro  
9 reconstruction project. The Company's involvement with NHA is very important in the  
10 design and execution of dam safety-related improvements. Overall, the Company's  
11 membership in NHA helps ensure that its hydropower system is as resilient and cost-  
12 effective as possible.

13  
14 Similarly, the Western Coal Traffic League focuses on emerging regulatory  
15 developments and coordination, advancement, and protection of common interests in  
16 connection with coal mined west of the Mississippi. Use of such coal is an important  
17 element of Minnesota Power's provision of utility service. It is very useful for the  
18 Company to have this information about current activity in the coal industry, particularly  
19 as their activities relate to keeping fuel and delivery costs at reasonable rates for our  
20 customers.

21  
22 **Q. Do these organizations identify, on their dues invoices, the amount of their dues that**  
23 **are for lobbying purposes?**

24 A. Yes.

25  
26 **Q. Did you analyze these ten organizations' invoices to determine how much of their**  
27 **activities relate to lobbying activities?**

28 A. Yes. The Company reviewed the 2015 invoices of these ten organizations to ascertain  
29 the percentage of lobbying activities that each organization identified for IRS reporting  
30 purposes. Minnesota Power believes this is the most reliable and relevant data that  
31 should be used.

1  
2 **Q. What were the results of that review?**

3 A. We identified an additional \$14,630 (Total Company) that should have been excluded for  
4 these organizations' lobbying activities, and we now propose an additional adjustment of  
5 this amount to test year expenses. Exhibit \_\_ (SWM), Rebuttal Schedule 5 provides a  
6 breakdown of this adjustment. To be clear, this adjustment is in addition to the \$149,195  
7 (Total Company) for lobbying-related activity that had previously been identified and  
8 excluded while conducting the employee expense review.  
9

10 **Q. Do you agree with Ms. Lee that the Commission's decision in a recent CenterPoint**  
11 **Energy Minnesota Gas ("CenterPoint") case (Docket No. G008/GR-15-424) provides**  
12 **guidance relating to membership dues?**

13 A. No. In that case, CenterPoint sought to include all of its dues paid to the American Gas  
14 Association ("AGA"), and the OAG sought to exclude 90 percent of the dues, on the  
15 basis that CenterPoint did not provide evidence establishing the percentage of the dues  
16 that went to lobbying. The Commission noted that historically it has only excluded  
17 lobbying expenses "to the extent that the lobbying is not demonstrated to advance  
18 ratepayer interests" but went on to exclude the whole amount of the dues in order to  
19 discourage "commingling of unrecoverable lobbying expenses with expenses that may  
20 otherwise be justified for recovery."<sup>10</sup> Here, unlike CenterPoint, the Company has, as set  
21 forth in Exhibit \_\_ (SWM), Rebuttal Schedule 5, divided dues expenses to separate  
22 lobbying expenses from non-lobbying expenses. The concern that was present in the  
23 CenterPoint case is no longer present here.  
24

25 **Q. What other concerns did Ms. Lee raise relating to membership dues?**

26 A. She stated that there was a lack of clarity as between some of the schedules and discovery  
27 responses the Company provided.  
28

---

<sup>10</sup> *In the Matter of the Application of CenterPoint Energy Res. Corp. d/b/a CenterPoint Energy Minn. Gas for Auth. to Increase Nat. Gas Rates in Minn.*, Docket No. G008/GR-15-424, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 27-28 (June 3, 2016).



1 **Q. Can you address her concerns?**

2 A. Yes. First, Ms. Lee, on page 47 of her Direct Testimony, expresses confusion about the  
3 relationship between the Company's summary of employee expenses for the 2017 test  
4 year, as set forth on Exhibit \_\_ (SWM), Direct Schedule 11, which lists \$1,418,853  
5 (Total Company) in the "Dues and Expenses for Membership in Organizations or Clubs"  
6 category, and Exhibit\_ (MAP), Direct Schedule G-3, which lists that \$789,962 (Total  
7 Company) is included in the test year for membership dues. Exhibit \_\_\_\_ (SWM), Direct  
8 Schedule 11 relates to "dues and expenses," but not necessarily all of these expenses are  
9 related to membership dues. Exhibit \_\_\_\_ (MAP), Direct Schedule 3 includes only  
10 membership dues. The two schedules were provided for different purposes and are not  
11 comparable.

12  
13 Ms. Lee next asks for clarification about the amount of the adjustment for organizational  
14 dues. In Exhibit \_\_ (MAP), Supplemental Direct Schedule A-6, the test year adjustment  
15 for organizational dues was identified as \$29,039 (Total Company). On the one-page  
16 summary, the adjustment amount for "Dues and Expenses for Memberships in  
17 Organizational Dues" was identified as \$17,514 (Total Company). The relationship  
18 between these two items was explained in the Company's response to Department IR No.  
19 1184,<sup>11</sup> provided in late March 2017.

20  
21 **Q. Does Ms. Lee also request that specific employee membership expenses be**  
22 **disallowed?**

23 A. Yes. On page 59 of her Direct Testimony, she testifies that the cost of membership for  
24 the Nebraska State Bar Association and a Wisconsin CPA renewal should be disallowed.  
25 These two expenses total \$224. These are the same expenses that were discussed above  
26 in my Rebuttal Testimony. As explained previously, these expenses are reasonable and  
27 related to employees' work in providing utility service in Minnesota.

28  

---

<sup>11</sup> Exhibit \_\_\_\_ (SWM), Rebuttal Schedule 1.

1           **E. Employee Gifts**

2   **Q. What information did Minnesota Power provide about the amount of employee gifts**  
3   **included in employee expense for the 2017 test year?**

4   A. As set forth in Exhibit \_\_ (SWM), Direct Schedule 11 of my Direct Testimony, the  
5   Company's initial 2017 test year budget for employee gifts is \$102,507 (Total Company).  
6   Using the adjustment process I described above, \$79,500 (Total Company) of employee  
7   gifts was removed. This adjustment included the removal of all employee gifts other than  
8   those related to safety, length-of-service awards, and retirement awards. The result was  
9   an adjusted 2017 test year budget of \$23,007 (Total Company).

10  
11 **Q. Please summarize Ms. Lee's testimony about the employee gifts.**

12 A. She believes that there are discrepancies in the information provided by the Company in  
13 its initial filing and in responses to discovery requests, and she states that all employee  
14 gifts should be disallowed.

15  
16 **Q. Has the Company responded to the areas where Ms. Lee expresses concern?**

17 A. Yes. These concerns are addressed in the Rebuttal Testimony of Company witness Ms.  
18 Nicole R. Johnson.

19  
20 **Q. How did the Commission handle employee gifts in Minnesota Power's previous rate**  
21 **case?**

22 A. It agreed that certain expenditures should not be charged to ratepayers, and disallowed  
23 employee recognition expense, except for those related to safety incentives.<sup>12</sup>

24  
25 **Q. Was your submission in this case consistent with that Commission decision?**

26 A. Yes. The Company removed most of the gifts, through the adjustment process described  
27 above. The Company did not remove length-of-service and retirement awards (except for  
28 those gifts that are in the form of jewelry) because such awards are non-discretionary.

---

<sup>12</sup> *In the Matter of the Application of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E015/GR-09-1151, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 32-33 (Nov. 2, 2010).

1 Also, although the Commission previously allowed recovery of gifts related to safety  
2 incentives, the Company took out expenses for safety-related recognition events.

3  
4 **Q. Have you made any additional adjustments since then?**

5 A. No. The length-of-service and retirement awards are considered forms of compensation  
6 by the Company and are discussed in more detail in the Rebuttal Testimony of Ms.  
7 Johnson, but the itemization of these was properly included with the employee expense  
8 schedules required by the Employee Expense Statute.

9  
10 **Q. How do you respond to Ms. Lee's proposal that all employee gifts be disallowed?**

11 A. It appears that the main reasons for Ms. Lee's proposal are that the spending level for  
12 employee gifts has "significantly fluctuated from year to year" and that "voluntary  
13 terminations have increased over the 2010 to 2015 time period." These are not logical  
14 reasons to disallow all employee gifts. The issue is whether the gifts are reasonably  
15 related to the Company's provision of utility service. The Employee Expense Statute  
16 explicitly refers to "gift expenses" as a utility expense that may be allowed for  
17 ratemaking purposes.<sup>13</sup> The relatively minimal gift expense and safety-related expense  
18 that the Company has proposed to include in the test year serves customers and aids in  
19 the efficient provision of utility service by supporting employee retention and the  
20 continued safety of the Company's employees and customers.

21  
22 **III. CONCLUSION**

23 **Q. Please summarize your testimony.**

24 A. The three-year historical averaging methodology proposed by Ms. Lee and Ms. La Plante  
25 is neither helpful nor necessary. The Company's employee expense budget has been  
26 developed consistently with the Employee Expense Statute and Commission practice.

27  
28 The Company provided the required information relating to travel and employee  
29 expenses. Ms. Lee's concerns about the identity of vendors, the credit card payments for

---

<sup>13</sup> Minn. Stat. § 216B.16, subd. 17.

1 parking at the Company's general office building, and certain specific expenses are  
2 unfounded. The Company has proposed an adjustment to expenses for membership dues  
3 that is consistent with the IRS definition and Commission precedent. Finally, Ms. Lee's  
4 concerns about employee gifts are misplaced.  
5

6 **Q. Please summarize the adjustments that Minnesota Power has agreed to through**  
7 **your testimony.**

8 A. In this Rebuttal Testimony, I have identified two specific downward adjustments to the  
9 employee expenses for the 2017 test year:

- 10 • \$991.15 (Total Company) (\$857.50 MN Jurisdictional) for travel expenses; and
  - 11 • \$14,630 (Total Company) for membership dues.
- 12

13 **Q. Does this complete your Rebuttal Testimony?**

14 A. Yes.

**Minnesota Department of Commerce  
Division of Energy Resources  
Information Request**

MP Exhibit \_\_\_\_ (SWM)  
Rebuttal Schedule 1  
Docket No. E015/GR-16-664  
Page 1 of 1

Docket Number: E015/GR-16-664  
Requested From: Minnesota Power  
Type of Inquiry: Financial

☐ Nonpublic ☒ Public  
Date of Request: 3/16/2017  
Response Due: 3/28/2017

Requested by: Nancy Campbell/Dale Lusti/Lerma La Plante/Samir Ouanes  
Email Address(es): lerma.laplante@state.mn.us  
Phone Number(s): 651-539-1827

**Request Number:** 1184  
**Topic:** Employee Expenses Removed  
**Reference(s):** Volume IV, Schedule A-6, Column 17 and MP Ex\_\_\_\_ (SWM) Schedule 11, Steven Morris Direct

**Request:**

Please reconcile adjustments to employee expenses of \$538,944 in Volume IV Direct Schedule A-6, Column 17, with MP Ex.\_\_\_\_ (SWM) Schedule 11, Steven Morris Direct.

**RESPONSE:**

Please see below:

	Adjustments			
	to			
	2017 Test Year			Where included in Schedule A-6
Travel and Lodging - Employee	\$89,666			Column 17 Employee Expense Removed
Travel and Lodging - Vice President/Ten Highest Paid	37,091			Column 17 Employee Expense Removed
Food and Beverage - Employee	207,537			Column 17 Employee Expense Removed
Food and Beverage - Vice President/Ten Highest Paid	25,344			Column 17 Employee Expense Removed
Board of Directors	60,341			Column 16 Board of Directors Expenses
Expenses of Vice President/Ten Highest Paid	31,984	} Dues \$11,525 Other Expenses 20,459		Column 15 Organizational Dues Disallowed
				Column 17 Employee Expense Removed
Dues and Expenses	17,514			Column 15 Organizational Dues Disallowed
Gifts	79,500			Column 17 Employee Expense Removed
Corporate Aircraft	385,851			Column 6 Aircraft Expense
Lobbying	237,194			Column 18 Lobbying Expense Deducted
Registration/Fees/Parking/Other	79,347			Column 17 Employee Expense Removed
	1,251,369			
Investor relations	368,922			Column 19 Investor Relations 50%
	<u>\$1,620,291</u>			
				<b>Total Column 17 =</b>
				<b>\$538,944</b>

Witness: Steven W. Morris  
Response by: Michelle Malkovich  
Title: Senior Accounting Analyst  
Department: General Accounting  
Telephone: 218-355-3013

OAG No. 107

**State Of Minnesota  
Office Of The Attorney General  
Utility Information Request**

In the Matter of the Application of **MPUC Docket No.** E015/GR-16-664  
Minnesota Power for Authority to Increase  
Rates for Electric Utility Service in  
Minnesota

**By:** Ryan Barlow **Date of Request:** March 29, 2017  
**Telephone:** (651) 757-1473 **Due Date:** April 10, 2017

---

For all responses show amounts for Total Company and the Minnesota retail jurisdiction unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.

**Provide this information in Excel format with formulas intact.**

Reference: Direct Schedule G-3 Memberships

Update the schedule on page 1 with actual charitable contributions for the years 2012 and 2016.

Describe the services provided to MN Power as a member of the following organizations;

- 1) EEI
- 2) Western Coal Traffic
- 3) Climate Registry
- 4) Montana Coal Council
- 5) Shareholder Services Association
- 6) Corporate Executive Board
- 7) National Hydropower Association

Explain why public utility employees who are involved with Toastmasters would allow them to carry out their employment responsibilities.

- 1) Provide titles and employment responsibilities for each employee involved with Toastmasters.

Explain why public utility employees who have Sam's Club membership would allow them to carry out their employment responsibilities.

- 1) Provide titles and employment responsibilities for each employee.

Explain what the "Nebraska State Bas Association" is. Explain why public utility employees who have this membership would allow them to carry out their employment responsibilities.

- 1) Provide titles and employment responsibilities for each employee.

Provide a description of the acronyms used in Schedule G-3.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson/Marcia Podratz  
Title: Costing & Pricing Analyst Senior/Director - Rates  
Department: Rates  
Telephone: 218-355-3019/218-355-3570

**RESPONSE:**

Direct Schedule G-3, page 1 has been updated with actual dues (not charitable contributions as stated above) for the years 2012 and 2016 and included in OAG IR 107.01 Attach.

Descriptions of the services provided to Minnesota Power as a member of the requested organizations are as follows:

- 1) Electric Edison Institute (EEI) – EEI is a trade association that represents U.S. investor owned electric utilities. EEI makes significant and positive contributions to the long term success of the electric power industry in its vital mission to provide electricity to foster economic progress and improve the quality of life. EEI is engaged in electric system reliability, sustainability, taxation, energy policy, transmission infrastructure and other issues of concern to the electric utility industry. Other EEI groups include Utility Solid Waste Act Group and Utility Air Regulatory Group which MP participates in. Company employees also participate in the EEI Rates and Regulatory Affairs Committee, which provides education on rate-related topics and current issues.
- 2) Western Coal Traffic – (WCTL) advocates the interests of consumers of western coal. The Company's membership focuses on emerging regulatory developments and coordination, advancement, and protection of common interests in connection with utilization of coals mined west of the Mississippi.
- 3) The Climate Registry (TCR) – TCR is a non-profit organization that is involved in tracking greenhouse gases, including developing protocols, verification of emissions, and third-party certification services. Given the uncertainty now surrounding the federal Clean Power Plan and need for reporting of greenhouse gas emissions, Minnesota Power will need to determine whether TCR membership or an alternative such as retaining an expert consultant to support development of external reports using a data management protocol makes more sense. Such an alternative may cost more or less than the amount that Minnesota Power paid for participation in TCR.
- 4) Montana Coal Council – (MCC) The Montana Coal Council is a nonprofit industry association whose membership includes all major coal mine operators, holders of Montana coal reserves, those who ship the coal, utilities who use coal, and numerous suppliers and businesses directly or indirectly involved in the coal industry. Services include up to date industry information and news, networking, and educational conferences.
- 5) Shareholder Services Association – (SSA) Membership provides our shareholder service department with current information on best practices, industry trends, development in technology, compliance with regulation and access to experts to assist with securities related questions. MP ratepayers benefit from shareholder

---

Witness:	Marcia A. Podratz
Response by:	Sara Carlson/Marcia Podratz
Title:	Costing & Pricing Analyst Senior/Director - Rates
Department:	Rates
Telephone:	218-355-3019/218-355-3570

investments in the form of equity provided to MP as an important source to its overall capital structure.

6) Corporate Executive Board – (CEB) MP belongs to the CEB Audit Leadership Council which provides valuable services including the following:

- Virtual networking through the Audit Director Roundtable/Audit Leadership Council. It includes posting questions to various discussion forums. Internal audit has used for developing audit programs, determining recommendations and gauging best practice.
- Training includes a solid audit curriculum available on-line used to develop staff and new audit team members. Staff members participate in on-demand training and webcasts which provide valuable training that qualifies for CPE including ethics and fraud.
- Membership provides research materials including examples of best practice approaches to strategic matters impacting the profession, avoiding “reinventing the wheel”. This is especially useful developing our annual audit plan and monitoring external risk factors throughout the year.
- Audit Tools – A resource for specific audit programs examples and risk assessment tools are available for common audit areas used in planning and conducting Internal Audits.

7) National Hydropower Association (NHA) – NHA is the unified voice of the U.S. hydropower industry both in Washington, DC and across the country. Through advocacy, policy, communications, and education initiatives, NHA works to maximize the role that available, affordable, reliable and sustainable hydropower plays in the U.S. electricity sector. This is especially important for Minnesota Power because of the significant role of hydropower on its system and the emphasis on renewable energy in Minnesota. Minnesota Power staff have participated in meetings where NHA has facilitated conversations between the hydro industry and FERC regulators to discuss compliance issues. Company staff also have representation on several NHA committees and have participated in NHA hydro relicensing training. In addition, NHA has helped Minnesota Power obtain Department of Energy grants, including one for energy efficiency at Fond du Lac Hydro. Finally, NHA provided information about tax credits that provided a significant benefit to the Company as part of the Thomson Hydro reconstruction project.

- The Toastmasters organization is dedicated to helping employees improve communications, presentation, and leadership skills in a supportive work environment. Communications and presentation skills are essential for utility employees in many functional areas. Employees with strong communications, presentation and leadership skills are highly engaged in their work duties which leads to providing ratepayers with

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson/Marcia Podratz  
Title: Costing & Pricing Analyst Senior/Director - Rates  
Department: Rates  
Telephone: 218-355-3019/218-355-3570



excellent utility service. Attachment OAG IR 107.02 gives titles and employment areas for members of Toastmasters.

- Sam's Club membership allows public utility employees who are responsible for coordinating office related supplies to purchase necessary office items in a cost-effective and timely manner. Memberships are held by Administrative Coordinators in Power Delivery and Power Delivery/Transmission as well as an Executive Assistant in Strategy and Planning. These employees' job duties include responsibilities for purchasing items needed for the office from various sources including Sam's Club.
- One employee hired originally as an MP attorney held a Nebraska State Bar license and renews this existing State Bar Association membership annually to stay abreast of professional issues and information associated with that license. Professional licenses and associated professional memberships associated with such licenses in general indicate a level of professional competency, proficiency and achievement regardless of the exact location of the licensing state.

A description of the acronyms used in Schedule G-3 is provided in OAG IR 107.03 Attach.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson/Marcia Podratz  
Title: Costing & Pricing Analyst Senior/Director - Rates  
Department: Rates  
Telephone: 218-355-3019/218-355-3570

OAG IR 107.01 Attach  
Docket No. E015/GR-16-664  
Page 1 of 1

Schedule G-3

	Actual	Actual
Organizational Dues:	2012	2016
1 Corporate Dues	515,470	603,167
2 Individual Dues	70,826	57,080
3 Subtotal	586,296	660,247
4 Service Territory Dues	15,770	15,652
5 Total Organizational Dues	602,066	675,899

OAG IR 107.01 Attach  
 Docket No. E015/GR-16-664  
 Page 1 of 1

Summary of MP Toastmaster Membership:

Job Title	Employment Area or Responsibility [1]:
System Operator	Power Delivery
Assistant Treasurer	Investments & Analysis
Graphic Designer	Communications
Procurement Analyst I	Procurement & Vegetation Management
Programmer Analyst I	Business Support, ITS Applications
Environmental Compliance	Environmental, Land & Real Estate
Senior Accounting Analyst	General Accounting
IT Security	IT Compliance and Security
Facilities Service Manager	Facilities Management
Administrative Coordinator	Utility Operations, Engineering
Customer Solutions Analysts	Customer Service, Customer Solutions
Supervisor of Safety	Safety and Industrial Hygiene
Supervisor of Purchasing	Procurement & Vegetation Management
Human Resource Analyst	Human Resources
Supervisor of Shareholder Services	Investments & Analysis
Cost and Pricing Analyst	Regulatory Affairs
Programmer Analyst II	Business Support, ITS Applications
Property & Right of Way Senior	Environmental, Land & Real Estate
Renewable Program Lead	Customer Service, Customer Solutions
Engineer Senior	Engineering Services
Supervisor Project Mgmt.	Delivery Support Operations
Human Resource Analyst	Human Resources
IT Communications Analyst	ITS Applications - Communications
Customer Information Systems Lead	ITS Applications
Regional Development Representative	Marketing

[1] MP job duties state that excellent interpersonal and business communication skills are required to establish and maintain positive internal and external working relationships.

OAG IR 107.03 Attach  
 Docket No. E015/GR-16-664  
 Page 1 of 1

**Acronyms used in Schedule G-3**

Acronym	Description
CEATI	Centre for Energy Advancement through Technological Innovation
UWAG	Utility Water Activity Group
MISO	Midcontinent Independent System Operator, Inc.
RTO	Regional Transmission Organization
ISO	Independent System Operator
CEB	Corporate Executive Board
MN CPA	Minnesota Society of Certified Public Accountants
AICPA	American Institute of CPAs
CPA	Certified Public Accountant
CCEP	Certified Compliance & Ethics Professional
GIS	Geographic Information System
IECA	International Energy Credit Association
IEEE	Institute of Electrical and Electronics Engineers
CISSP	Certified Information Systems Security Professional
ISACA	formerly known as Information Systems Audit and Control Association
NACE	formerly known as the National Association of Corrosion Engineers
NERC	North American Electric Reliability Corporation
OATI	Open Access Technology International, Inc.
RIMS	Risk and Insurance Management Society, Inc.
AIGA	formerly known as American Institute of Graphic Arts

Note: This list includes only those acronyms not already defined in Schedule G-3.

OAG No. 140

**State Of Minnesota  
Office Of The Attorney General  
Utility Information Request**

In the Matter of the Application of **MPUC Docket No.** E015/GR-16-664  
Minnesota Power for Authority to Increase  
Rates for Electric Utility Service in  
Minnesota

**By:** Ryan Barlow **Date of Request:** May 15, 2017  
**Telephone:** (651) 757-1473 **Due Date:** May 25, 2017

---

For all responses show amounts for Total Company and the Minnesota retail jurisdiction unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.

**Reference: Company response to OAG Information Request 117**

- 1) Provide actual amounts of dues and invoices for membership dues listed below from 2012 to 2017. Provide details on the portion of membership dues related to lobbying that is taken out of the Test Year. Additionally, provide the annual review/annual reports from 2014 to 2017 that show what the association activities have been in each of those years.
  - a. Edison Electric Institute
    - i. USWAG
    - ii. UARG
  - b. Western Coal Traffic
  - c. Montana Coal Council
  - d. MN Environmental Initiative
  - e. UWAG
  - f. Mining Minnesota
  - g. MN Forest Industries
  - h. MN High Tech Association
  - i. National Hydropower Association
- 2) Explain why Edison Electric Institute is billing for the membership dues for USWAG and UARG. Explain the relationship between Minnesota Power, Edison Electric Institute, USWAG, and UARG.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

- 3) Explain whether USWAG and UWAG are the same organizations? Why does the Company have memberships to both organizations? Detail the benefits to ratepayers of each membership.
- 4) Explain what the attachment 117.01 page 2 is. Provide a breakout of each category of EEI membership dues (as shown on the EEI invoice).
- 5) Explain if the 3% portion of the USWAG membership for lobbying related activities is included in the Test Year.
- 6) Explain why the EEI membership dues of \$322,847 is allocated to other Allele operations, but the USWAG and UARG membership dues are not allocated. Explain why 100% of the costs for USWAG and UARG is allocated to MP regulated?

Provide this information in Excel format with all formulas intact.

**RESPONSE:**

1) Actual membership dues for the organizations listed (a.- i.) 2012-2017 can be found in OAG IR 140.01 Attach. Copies of member due invoices for the same organizations are included in OAG 140.02 Attach to OAG 140.12 Attach. Lobbying is accounted for below the line except that in our pre-filing review of employee expenses we found \$149,195 of dues mistakenly accounted for in Regulated O&M, and adjusted this amount out of the test year". This amount is included in the line \$237,194 shown in MP Exhibit \_\_ (SWM) Direct Schedule I, 2017 Employee Expense Summary.

EEI, USWAG, UARG, Western Coal Traffic, Montana Coal Council, and National Hydro Association activities and services are described in Minnesota Power's response to OAG IR 107.

MN Environmental Initiative: Please see OAG IR 140.13 Attach for annual report information.

Mining Minnesota: Mining Minnesota is a membership organization committed to sustainable and environmentally responsible critical and strategic metals mining development. Driven by a diverse coalition of organizations, companies and individuals, Mining Minnesota will bring growth and job creation to the state through the responsible development of Minnesota's natural resources. Additional information from Minnesota Mining is included in OAG IR 140.15 Attach.

MN Forest Industries: This is a Duluth-based trade association whose work includes research and forest statistics. Please see their informational publication included as OAG IR 140.14 Attach.

---

Witness:	Marcia A. Podratz
Response by:	Sara Carlson
Title:	Cost and Pricing Analyst Senior
Department:	Rates
Telephone:	218-355-3019

MN High Tech Association: MHTA is a non-profit association of more than 300 technology companies and organizations. MHTA's mission is to fuel Minnesota's prosperity through innovation and technology. Its members include some of the world's leading corporations, mid-sized companies and startups. MHTA works to make Minnesota one of the country's top five technology states. Minnesota High Tech Association members represent IT, bio-sciences, advanced manufacturing, clean, green and edtech. Once a company or organization joins MHTA, all of its employees become members. Available annual reports are included at attachments OAG IR 140.13 Attach to OAG IR 140.20 Attach.

2) As a matter of efficiency, EEI provides billing services to the Utility Solid Waste Activities Group ("USWAG") and the Utility Air Regulatory Group ("UARG"). This keeps the overhead costs lower for these groups. USWAG and UARG are distinct and separate organizations from EEI. Minnesota Power is a member of EEI, of USWAG, and of UARG to ensure Minnesota Power is fully informed of changes in the industry, including environmental regulations.

Edison Electric Institute (EEI): The function of EEI was addressed in OAG IR 107. EEI gives consideration to a broad range of subject matter for its member utilities, generally in the area of proposed legislation, regulations and related issue education.

Utility Air Regulatory Group (UARG): UARG provides information related to air regulations that affect electric utilities, for informational and regulatory legal proceedings of concern to UARG member utilities. Individual utilities may choose to be a member of UARG independent of their membership in EEI or other organizations, but not necessarily. Membership of these organizations is independent and EEI member utilities need not be UARG members and vice-versa. Membership, engagement and Privileged Communications for UARG carries parallels with that of UWAG and USWAG, but are specific to air regulation issues.

Utility Water Act Group (UWAG): UWAG provides information related to water regulations that affect electric utilities for informational and regulatory legal proceedings of concern to UWAG member utilities. Membership, engagement and Privileged Communications for UWAG carry parallels with that of UARG and USWAG, but are specific to water issues.

USWAG- Utility Solid Waste Activities Group (USWAG): USWAG provides information related to solid waste regulations that affect electric utilities for informational and regulatory legal proceedings of concern to USWAG member utilities. Membership, engagement and Privileged Communications for USWAG carry parallels with that of UARG and UWAG, but are specific to solid waste issues.

3) USWAG and UWAG are different organizations and can have different utility membership. As noted in the descriptions under part 2, USWAG focuses on solid waste issues and UWAG on water issues related to utility operations. Membership in USWAG, UWAG and UARG is beneficial to the Company and customers because air, water and waste issues have been subject

---

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

to regulation at both the Federal and State level; because these regulations are subject to change and can be complex; and because participation in these groups ensures that Minnesota Power employees are current on these environmental regulations and their impact on utility operations. Minnesota has exercised leadership in environmental issues of concern, so there is value for Minnesota Power and its customers when measures, policies, and regulations developed to respond to those concerns are well-informed and efficient.

4) The OAG 117.01 Attach page 2 is an internally-used spreadsheet to ratably allocate the EEI Membership Dues across ALLETE regulated and non-regulated entities and jurisdictions. A breakout of each category of dues has been added to columns P-R to the far right of the spreadsheet.

5) An estimated amount related to lobbying was deducted related to USWAG and other membership dues for the 2017 budget. EEI bills Minnesota Power separately for the portion of EEI dues related to lobbying activities and this amount was excluded consistent with the Direct Testimony of Mr. Steven W. Morris.

6) EEI provides a broad range of trade association support that includes subject matter related to electric utility generation operations, transmission and distribution operations, financial governance, tax issues, electric system reliability, financial risk management, and others. EEI annual dues are allocated to other ALLETE operations to correlate with the areas that use EEI resources for the benefit of those operations.

USWAG and UARG membership dues and activities support environmental regulatory matters of concern, focusing on air issues and solid waste issues that arise from the operation of the Minnesota Power regulated entities that generate and transmit electricity to Minnesota Power customers. Examples are the environmental issues that need to be addressed to support rate-based power plant operations and transmission environmental issues, such as spill prevention and control and right of way vegetation management.

---

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019



1)	Organization	2012 Actual Dues	2013 Actual Dues	2014 Actual Dues	2015 Actual Dues	2016 Actual Dues	2017 Actual Dues	
a.	Edison Electric Institute	Regular Activities	189,251	197,607	212,612	236,347	256,666	291,679
		Industry Issues	18,925	19,761	21,261	23,635	25,667	29,168
		Restore Power	1,000	1,000	1,000	2,000	2,000	2,000
		Edison Foundation	0	5,000	5,000	0	5,000	0
		Total: \$209,176	Total : \$223,368	Total: \$239,873	Total: \$261,982	Total: \$289,333	Total: \$322,847	
		Inv DUES201203	Inv DUES201303	INV DUES201403	INV DUES201502	INV DUES201602	INV DUES201702	
a. i.	USWAG (Utility Solid Waste Activities Group)	\$21,000 Inv 49258	\$25,800 inv 110331	\$21,875 inv 124686	\$27,000 inv 141821	\$27,000 inv 159206	22,500.00 inv 194227	
a. ii.	UARG (Utility Air Regulatory Group)	\$99,000 Inv 90259	\$99,000 Inv 29568CR	\$99,000 Inv 121295	\$99,000 Inv 139005	\$102,000 Inv 155834	\$102,000 Inv 193075	
b.	Western Coal Traffic	Q1	10,000 10051Q12	11,250 10051Q13	Inv 1005YQ14	Inv 1005YQ15	Inv 1005YQ16	Inv 1005YQ17
		Q2	10,000 10052Q12	11,250 10052Q13				
		Q3	10,000 10053Q12	11,250 10053Q13				
		Q4	10,000 10054Q12	11,250 10054Q13				
			Total: \$40,000	Total: \$45,000	\$50,000	\$55,000	\$55,000	\$55,000
c.	Montana Coal Council	\$4,000 Inv 17260	\$4,000 Inv 17352	\$4,000 Inv 17405	\$4,000 Inv 17506	-	-	
d.	MN Environmental Initiative	\$8,000 inv 120154	\$8,000 Inv 130064	\$8,000 Inv 14008	\$8,000 Inv 14556	\$8,000 Inv 15380	\$8,000 Inv 15811	
e.	UWAG (Utility Water Act Group)		1,250 Each month	1,333.33 Each Month	1,541.67 Each Month	1,791.67 Each Month (except Dec)	membership dropped in 2015	membership dropped in 2016
		Jan	Inv 102028582	Inv 102046517	Inv 102062981	Inv 102082491		
		Feb	102030008	102048039	102064945	102084156		
		Mar	102031388	102049144	102066259	102085211		
		Apr	102032580	102050279	102068503	102087060		
		May	102035383	102051744	102070001	102088805		
		Jun	102036035	102053384	102070500	102090243		
		Jul	102037339	102055390	102073036	102092143		
		Aug	102039014	102056641	102074513	102093004		
		Sep	102040478	102057549	102075902	102095351		
		Oct	102041785	102059333	102077662	102096714		
		Nov	102043080	102060162	102078350	102097419		
		Dec	102044756	102062023	102080642	1791.63 - 102099019		
			Total \$15,000	Total : \$15,999.96	Total: \$18,500.04	Total: \$21,500		
f.	Mining Minnesota	\$15,000 INV 12212011	\$15,000 Inv 020813	\$20,000 Inv 012214 MINING	\$15,000 Inv 011915 MINING	\$15,000 Inv 020216 MINING	\$15,000 Inv RP120116 MINING	
g.	MN Forest Industries	Q1	-	\$5,337.50 - inv 590	Paid full year Invoice 641	\$3,417.25 - inv 681	\$3,106.25 - inv 735	\$3,387.25 - inv 791
		Q2		\$5,337.50 - inv 609		\$3,417.25 - inv 698	\$3,106.25 - inv 752	\$3,387.25 - inv 803
		Q3		\$5,337.50 - inv 622		\$3,417.25 - inv 712	\$3,106.25 - inv 763	Not paid yet
		Q4		\$5,337.50 - inv 631		\$3,417.25 - inv 727	\$3,106.25 - inv 775	Not paid yet
			Total: \$21,350	Total: 14,541	Total: \$13,669	Total: \$12,425		
h.	MN High Tech Association	\$10,000 Inv 070812 MINNESOTA	\$10,000 Inv 050713 MINNESOTA	\$10,000 Inv 110714 MINNESOTA	\$10,000 Inv 100815 MHTA	\$10,000 Inv 092716 MHTA	Not invoiced yet	
i.	National Hydro Association	\$18,077 Inv M12093	\$18,981 Inv M13148	\$19,551 Inv M14153	\$20,528 Inv M15162	\$20,939 Inv M16191	\$21,567 Inv M17189	

Invoices are included in OAG IR 140.02 to OAG IR 140.12,

**ENVIRONMENTAL INITIATIVE  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Environmental Initiative  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Environmental Initiative, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

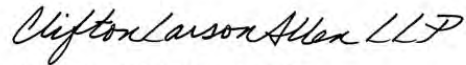
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Environmental Initiative

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Environmental Initiative as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 1, 2016

**ENVIRONMENTAL INITIATIVE  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,522,869	\$ 1,668,513
Accounts Receivable	5,163	1,160
Contributions Receivable	130,353	147,449
Grants Receivable	71,804	88,734
Prepaid Expenses	15,788	13,767
Equipment and Leasehold Improvements, Net	<u>9,854</u>	<u>14,969</u>
Total Assets	<u>\$ 1,755,831</u>	<u>\$ 1,934,592</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 72,411	\$ 52,296
Accrued Payroll and Other Expenses	16,358	19,025
Deferred Revenue	<u>4,250</u>	<u>9,710</u>
Total Liabilities	93,019	81,031
<b>NET ASSETS</b>		
Unrestricted	744,996	710,226
Temporarily Restricted	<u>917,816</u>	<u>1,143,335</u>
Total Net Assets	<u>1,662,812</u>	<u>1,853,561</u>
Total Liabilities and Net Assets	<u>\$ 1,755,831</u>	<u>\$ 1,934,592</u>

*See accompanying Notes to Financial Statements.*

**ENVIRONMENTAL INITIATIVE  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>						
Contributions	113,435	\$ 508,994	\$ 622,429	\$ 121,388	\$ 384,250	\$ 505,638
Membership Contributions	261,410	61,950	323,360	236,942	52,700	289,642
Government Grants and Contracts	150,818	-	150,818	190,404	-	190,404
Conferences and Special Projects	53,161	-	53,161	57,675	-	57,675
Interest Income	1,907	-	1,907	2,287	-	2,287
	580,731	570,944	1,151,675	608,696	436,950	1,045,646
Net Assets Released from Restrictions	796,463	(796,463)	-	773,514	(773,514)	-
Total Revenues, Gains and Other Support	1,377,194	(225,519)	1,151,675	1,382,210	(336,564)	1,045,646
<b>EXPENSES</b>						
Program Services	1,026,188	-	1,026,188	966,897	-	966,897
Management and General	198,981	-	198,981	198,707	-	198,707
Fundraising	117,255	-	117,255	124,681	-	124,681
Total Expenses	1,342,424	-	1,342,424	1,290,285	-	1,290,285
<b>CHANGE IN NET ASSETS</b>	34,770	(225,519)	(190,749)	91,925	(336,564)	(244,639)
Net Assets - Beginning of Year	710,226	1,143,335	1,853,561	618,301	1,479,899	2,098,200
<b>NET ASSETS - END OF YEAR</b>	\$ 744,996	\$ 917,816	\$ 1,662,812	\$ 710,226	\$ 1,143,335	\$ 1,853,561

See accompanying Notes to Financial Statements.

(4)





**ENVIRONMENTAL INITIATIVE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (190,749)	\$ (244,639)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation	6,488	4,867
Change in Operating Assets and Liabilities:		
Accounts Receivable	(4,003)	(215)
Pledges Receivable	17,096	10,589
Grants Receivable	16,930	10,532
Prepaid Expenses	(2,021)	5,610
Accounts Payable	20,115	2,876
Accrued Payroll and Other Expenses	(2,667)	5,446
Deferred Revenue	(5,460)	4,880
Net Cash Used by Operating Activities	<u>(144,271)</u>	<u>(200,054)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Equipment	<u>(1,373)</u>	<u>(17,497)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(145,644)	(217,551)
Cash and Cash Equivalents - Beginning of Year	<u>1,668,513</u>	<u>1,886,064</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,522,869</u></u>	<u><u>\$ 1,668,513</u></u>

See accompanying Notes to Financial Statements.



**ENVIRONMENTAL INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Environmental Initiative (EI or the Organization) is a nonprofit organization that works to improve our environment, economy, and community by seeking and implementing the best of all ideas. We engage diverse stakeholders to hear all voices, find common ground, and create stronger, lasting solutions for our environment. Their programs include:

***Agriculture and Environment*** – We partner with farmers, businesses, environmental advocates, policy makers, and other key stakeholders to limit environmental impacts of production agriculture.

***Clean Air*** – Environmental Initiative collaborates with leaders from business, government, and nonprofits to voluntarily reduce emissions from Minnesota's smaller, dispersed, and unregulated sources of air pollution.

***Environmental Initiative Awards*** – Each year Environmental Initiative honors innovative projects from across Minnesota that have achieved extraordinary environmental results by harnessing the power of partnership.

***Environmental Policy*** – Through our environmental policy program we address a range of environmental issues by managing projects where partnership is needed most to reach a solution. We host four educational events per year as well as facilitate long-term policy conversations with diverse stakeholders.

***Sustainability*** – We connect businesses to resources, best practices, and one another to tackle complex environmental and sustainability challenges collectively. We host three educational events per year as well as facilitate long-term conversations with sustainability practitioners to address waste reduction, recycling, and organics.

**Basis of Accounting**

EI prepares these financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expense when an obligation is incurred.

**Financial Statement Presentation**

Net assets and revenue are classified based on donor imposed restrictions. Accordingly, net assets of EI and changes therein are classified and reported as follows:

***Unrestricted Net Assets*** – Net assets not subject to donor-imposed restrictions.

***Temporarily Restricted Net Assets*** – Net assets subject to donor-imposed restrictions that will be met by expenditure in accordance with the donors' request and/or the passage of time.

**ENVIRONMENTAL INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of assets other than cash are recorded at their estimated fair value at date of the gift.

**Cash and Cash Equivalents**

Cash and cash equivalents include checking deposits, savings accounts and all highly liquid instruments with an original maturity of three months or less. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

**Accounts Receivable**

Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of December 31, 2015 and 2014. Accounts receivable are generally unsecured.

**Contributions Receivable**

Contributions receivable include unconditional promises to give with a balance of \$130,353 and \$147,449 as of December 31, 2015 and 2014, respectively. The contributions receivable are all due in the following year so no discount was necessary.

**Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost, less accumulated depreciation. Maintenance and repairs are expensed as incurred. All acquisitions of equipment and leasehold improvements in excess of \$750 are capitalized. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Equipment and leasehold improvements are depreciated using the straight-line method over the estimated useful lives of the asset, generally three to five years.

**ENVIRONMENTAL INITIATIVE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1    SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenue**

Certain cash receipts are deferred and recognized as revenue in the period when they are earned.

**Membership Contributions**

Membership payments are considered contributions and are recognized as revenue when collected.

**Government Grants and Contracts**

Government grants and contracts are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred.

**Contributed Services**

Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills that would need to be purchased if not provided by donation. A substantial number of unpaid volunteers have made contributions of their time to EI's programs. The value of this contributed time is not reflected in these statements since it does not meet requirements for recognition in the financial statements.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Internal Revenue Service has determined that EI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. EI is also exempt from state income taxes. However, any unrelated income may be subject to taxation.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2015 and 2014.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ENVIRONMENTAL INITIATIVE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015 AND 2014**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain amounts appearing in the 2014 financial statements have been reclassified to conform to the 2015 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 1, 2016, the date the financial statements were available to be issued.

**NOTE 2 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31 are available for the following purposes:

	2015	2014
Project Green Fleet	\$ 744	\$ 31,661
Policy/BES	72,500	67,500
Air Quality	500,778	787,330
Awards	57,250	42,250
Agriculture Leadership	-	7,752
Awesomeness	20,000	15,000
CSEO	8,990	33,434
Responsible Crop Certificate	102,805	86,941
Sustain Leadership Council	80,305	13,500
Water Planning	2,095	3,269
Other Projects	72,349	54,698
Total	<u>\$ 917,816</u>	<u>\$ 1,143,335</u>

**NOTE 3 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were reclassified to unrestricted net assets for operations and programs.



**ENVIRONMENTAL INITIATIVE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015 AND 2014**

**NOTE 4 EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements and the related accumulated depreciation amounts are as follows:

	2015	2014
Equipment	\$ 58,373	\$ 57,000
Leasehold Improvements	5,250	5,250
Subtotal	63,623	62,250
Less: Accumulated Depreciation	(53,769)	(47,281)
Total	<u>\$ 9,854</u>	<u>\$ 14,969</u>

**NOTE 5 LEASES**

El leases its office space under an operating lease which expires on January 31, 2017. The lease requires El to pay all executory costs (such as real estate taxes, maintenance and insurance). Rental payments include minimum rentals, plus an estimate of executory costs.

The Organization also entered into an operating lease for a copier which expires on January 14, 2020.

Rent expense was \$86,086 and \$79,458 in 2015 and 2014, respectively.

El's future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 86,672
2017	8,993
2018	1,932
2019	1,932
2020	161
Total	<u>\$ 99,690</u>

**NOTE 6 RETIREMENT SAVINGS PLANS**

El has a retirement plan established under Section 403(b) of the Internal Revenue Code. Generally, all employees are immediately eligible to make employee contributions to the plan and those who are over 21 years of age are eligible to participate in employer contributions to the Plan. Contributions by El are discretionary. El made contributions to this plan of \$18,597 in 2015 and \$19,712 in 2014.

OAG IR 140.14 Attach  
Dk. No. E015/GR-16-664  
Page 1 of 12

# MINNESOTA'S FORESTS

BENEFITING MINNESOTANS  
EVERY DAY

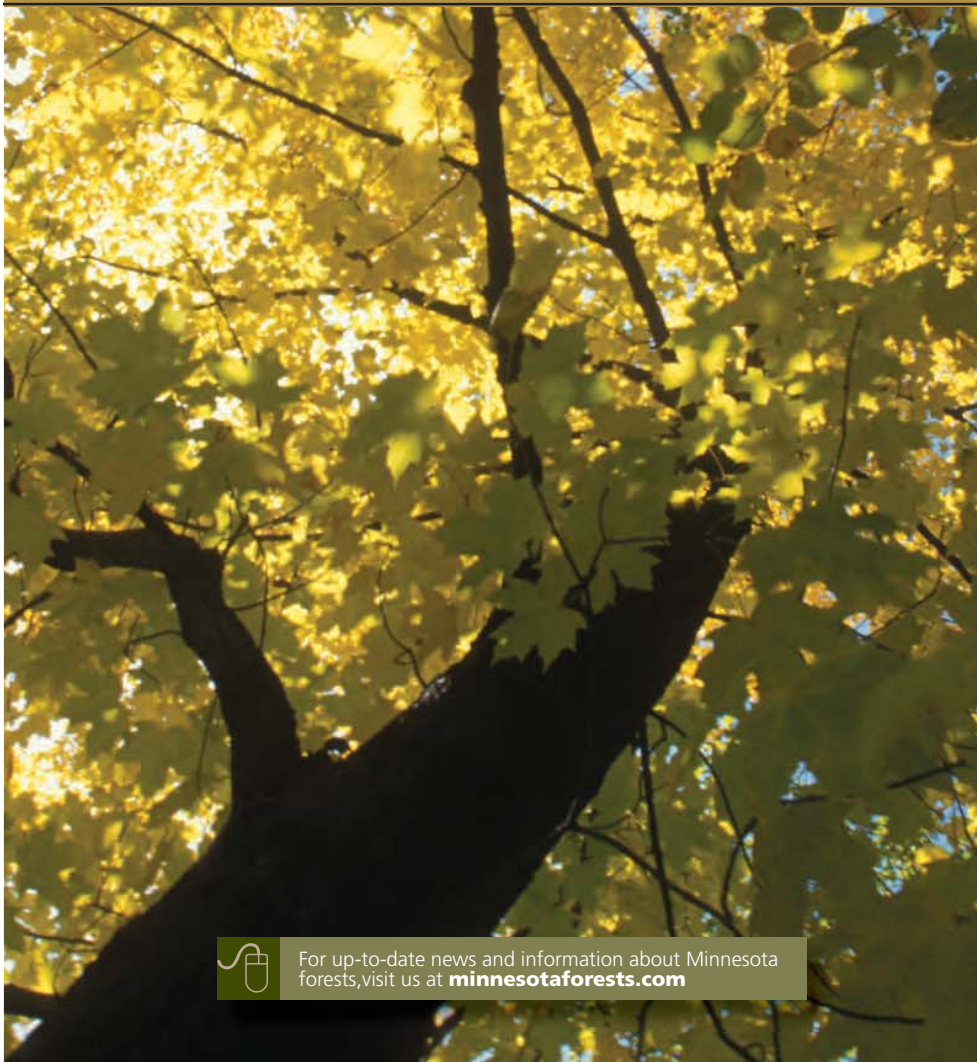




OAG IR 140.14 Attach  
Dk. No. E015/GR-16-664  
Page 2 of 12



2



For up-to-date news and information about Minnesota forests, visit us at [minnesotaforests.com](http://minnesotaforests.com)



*Each year more than 20 million seedlings are planted in Minnesota, and millions of other trees are grown from seeds or regenerate naturally.*

3

## MINNESOTA'S FORESTS

### Beautiful, Plentiful & Productive

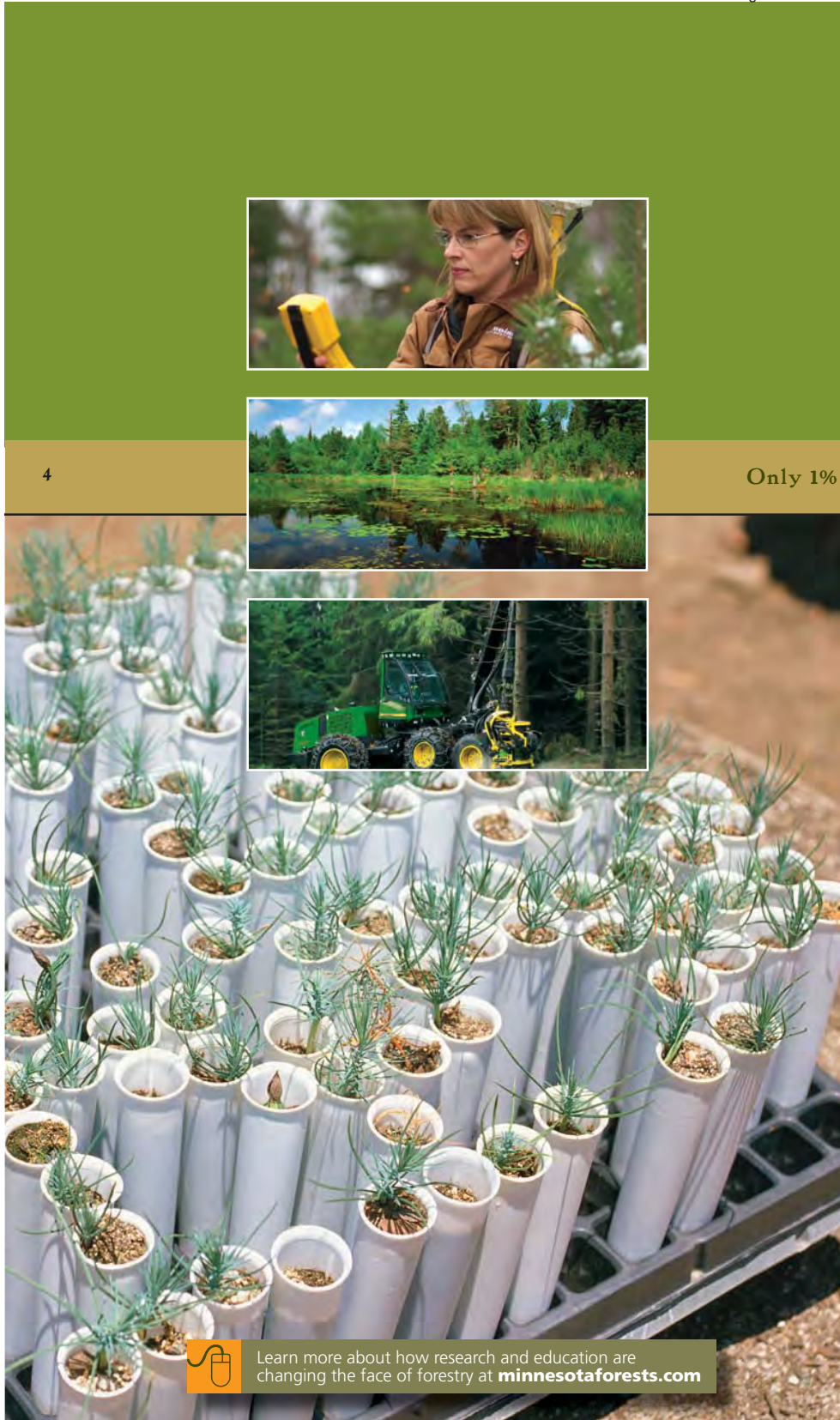
When you think of Minnesota's forests, perhaps you think of sunlight streaming through tall pines. Or the crunching of colorful leaves beneath your feet. Undoubtedly, you also think of serenity and nature.

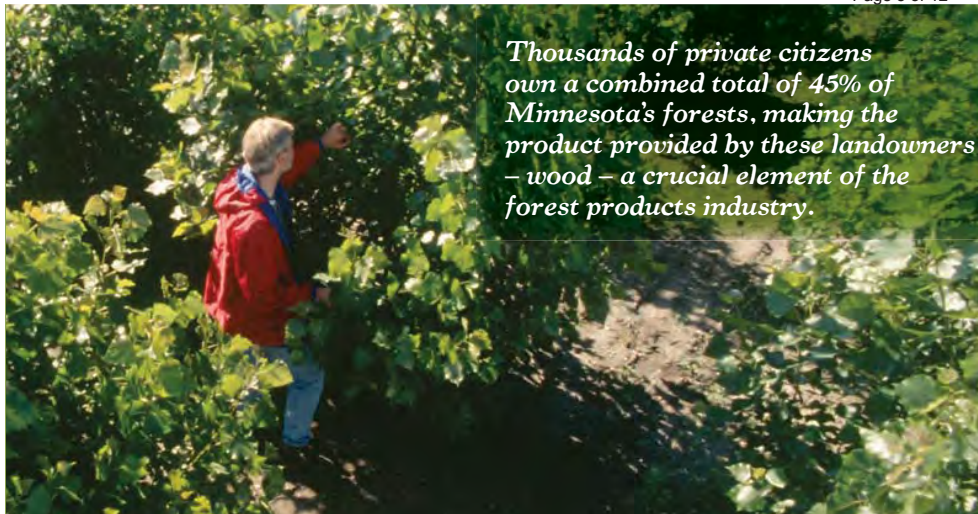
But beauty and recreation are just two characteristics of our bountiful forests. Minnesotans also enjoy diverse wildlife habitat, jobs for 28,000 hardworking people and a variety of products we use every day. Including the brochure you're holding right now.

The story of Minnesota's forests never ends, because trees are our greatest renewable resource. Yes, Minnesota's forests are here today and here tomorrow.



OAG IR 140.14 Attach  
Dk. No. E015/GR-16-664  
Page 4 of 12





*Thousands of private citizens own a combined total of 45% of Minnesota's forests, making the product provided by these landowners – wood – a crucial element of the forest products industry.*

Minnesota's forestland is harvested each year.

5

## A HEALTHY RESPECT FOR THE FOREST

Minnesota grows more than three times as much as is harvested.



Cords of wood **grown** each year: 9.8 million.



Cords of wood **harvested** each year: 2.7 million.

Source:  
U.S. Forest Service and  
Minnesota DNR.

It's no coincidence that Minnesota's forests are healthy and vibrant. They are carefully managed to ensure the proper balance of harvesting, regrowth and habitat maintenance by forest professionals who make decisions based on experience and science.

### Minnesota is a national leader in sustainable forestry

Wood that's harvested following stringent guidelines is formally certified by independent third parties as sustainable. This means that our state forestlands are being carefully managed to balance the perpetual growing and harvesting of trees with the long-term protection of wildlife, plants, soil and water quality.

Minnesota is the #1 state in the U.S. for certification, with nearly half of its 17.3 million acres of forestland certified as sustainable by the Sustainable Forestry Initiative ([sfiprogram.org](http://sfiprogram.org)) and the Forest Stewardship Council ([fsc.org](http://fsc.org)) – two international organizations that work independently to promote responsible forest management. For comparison, only 12% of forestland worldwide is certified.

### Expert loggers

Nearly all of the wood harvested in Minnesota is done by loggers trained in the Minnesota Logger Education Program ([mlep.org](http://mlep.org)), who continually enhance their expertise related to technologies, safety, environmental regulations, wildlife and more. The woodland professionals combine proven techniques with modern equipment to take care of the forest.

### Providing consumers the assurances they want

As more people and companies demand that their forest products come from sustainably managed forests, our state will remain a national leader. Minnesota will continue to prove that maintaining a viable forest products industry and doing the right thing by the environment complement one another.



OAG IR 140.14 Attach  
Dk. No. E015/GR-16-664  
Page 6 of 12

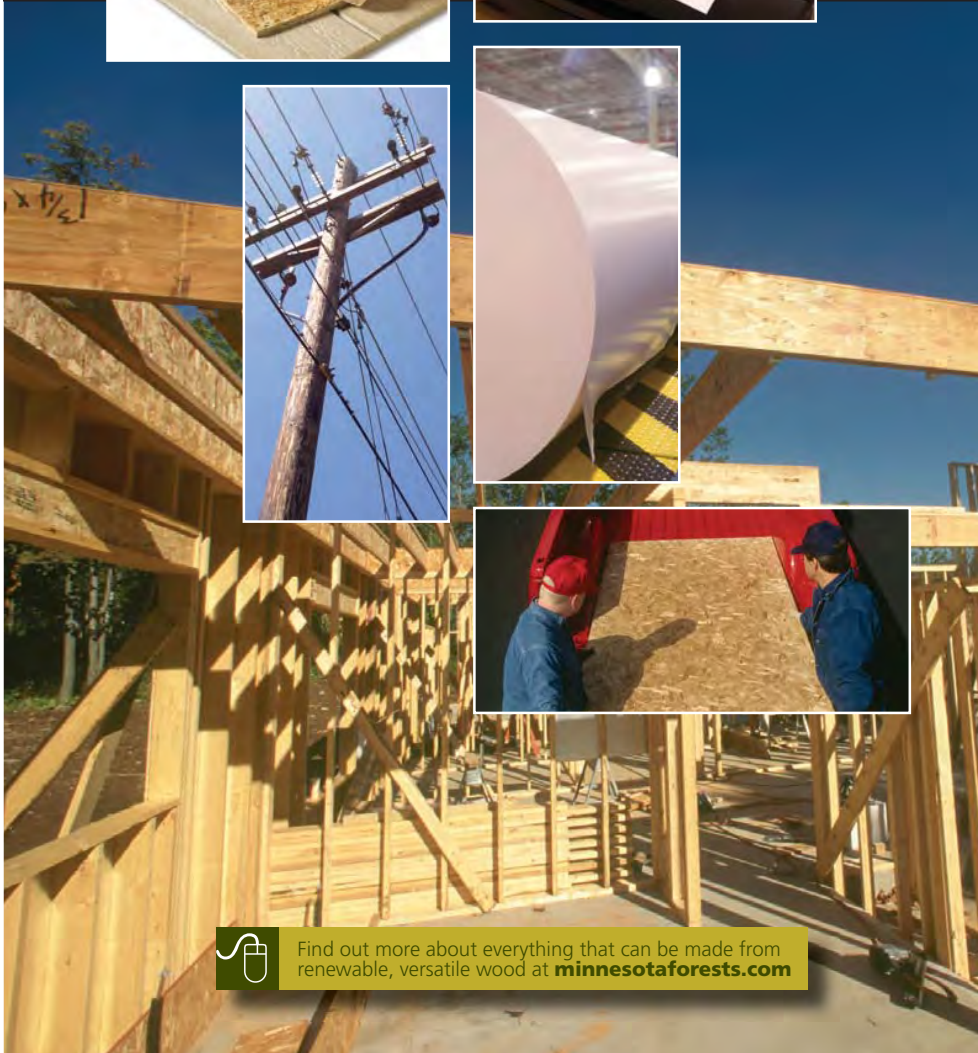


◀ *This shirt comes from Minnesota's forests in the form of Specialised Cellulose that's now used by garment makers!*



Minnesota's  
to self-gene

6



Find out more about everything that can be made from renewable, versatile wood at [minnesotaforests.com](http://minnesotaforests.com)



*According to the U.S. Forest Service, today Minnesota has 23 million more large trees (over 19" in diameter) than it had 60 years ago.*

Forest products industry uses renewable resources  
to generate 32% of its electricity.

7

## FINE PRODUCTS OF OUR ENVIRONMENT

Everyone knows that paper and lumber are made from trees, and that's only the beginning. Almost every part of the tree is used to make products we use every day. In fact, more than 5,000 of them!

You won't find a more versatile raw material than wood. And the best part, of course, is that trees are a renewable resource.

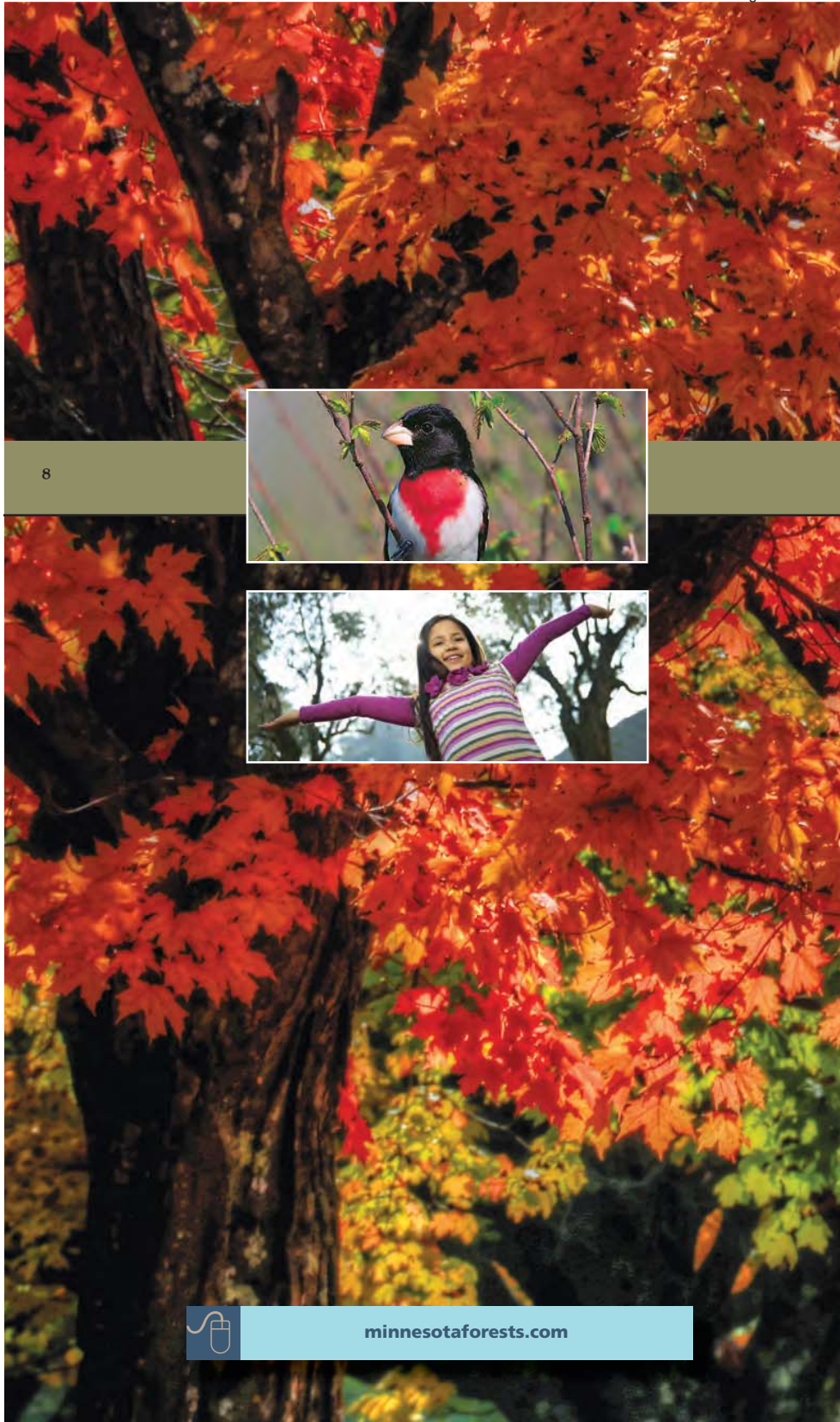
The 28,000 people in Minnesota's forest products industry make paper for books, magazines, brochures, computer printers and more. We make lumber, siding panels and engineered wood products for building homes, including oriented strand board. We make utility poles, pallets, industrial packaging and recycled pulp for many commercial applications, and also produce Specialised Cellulose used in textiles and other consumer goods. Plus, we produce the electricity to run our facilities and your homes.

You're literally surrounded by fine products from Minnesota's forests!





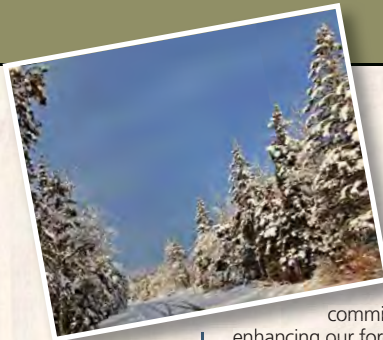
OAG IR 140.14 Attach  
Dk. No. E015/GR-16-664  
Page 8 of 12





*Member companies of Minnesota Forest Industries own and manage 640,000 acres of sustainably managed, certified forestland.*

9



## ENSURING A HEALTHY FUTURE

Just as trees are ever-growing, so is the state's commitment to continually enhancing our forests in many ways.

### Recreation

More than 90% of forest road use in Minnesota is by people wanting to visit and enjoy the forest. That's an added benefit the forest products industry is pleased to provide, because forest roads are really created to help improve the harvest and transport of trees, while also providing advantages for fire fighting.

**Wildlife habitat** – In addition to providing wood for products, harvesting adds diversity to our landscape by creating younger forests. This provides important habitat for many wildlife species – including deer, bear, moose, ruffed grouse, woodcock and other species that thrive on new growth.

**Preventing disease and wildfire** – Just as humans have life spans, so do trees. Over-mature trees are more susceptible to insects, disease, blowdown and fire than trees that are carefully managed and harvested. Removing trees at harvest age allows the wood to instead be used for making products.

**Educating our children** – Minnesota Forest Industries' decades-long commitment to helping K-12 teachers educate their students about forests and forest products now includes a special website: [TreezyDoesIt.com](http://TreezyDoesIt.com). From there teachers can download interactive Smart Board lessons and videos about careers in the forest products industries, as well as order Papermaking Kits, posters and other materials to further help inform children.

### Scientific advances in forest protection

– The Minnesota Forest Resources Council, a governor-appointed body that oversees sustainable forest resource policies, recently developed biomass harvesting guidelines, the first of this type in the U.S., regarding sustainable removal of woody biomass from logging residue on timber harvest sites.

**Reducing carbon in the air** – The forest products industry and forests themselves are doing much to fight global warming. Each tree absorbs an average of 50 pounds of carbon from the atmosphere each year. Then when trees are harvested for use as forest products, such as those shown on pages 6 and 7, those products continue to store carbon, sometimes for centuries.

### Private Forest Management

– The Minnesota Department of Natural Resources provides information and technical assistance to private forest landowners, including a cost-share program offering financial assistance for tree planting, timber stand improvement and harvesting, help with invasive species and more. Find more at [minnesotaforests.com/private-landowners](http://minnesotaforests.com/private-landowners)



# THE STATE OF THE FOREST PRODUCTS INDUSTRY



Minnesota Forest Industries' member companies are a big part of a global economy, and the industry's \$8.2 billion economic impact is felt throughout the state. From Aitkin to Zumbro Falls, nearly 300 Minnesota cities are home to businesses from which the forest products industry purchases goods and services.

- 10 Each year the industry pays more than \$50 million for wood harvest on public lands and generates another \$450 million in state and local taxes.

## Minnesota Forest Products Industry Statistics – 2014

<b>Number of Employees</b>	
Pulp, Paper, Board	3,063
Converted Paper Products	6,757
Lumber and Wood Products	9,209
Furniture and Fixtures	6,371
Logging and Support	2,846
<b>Total Employees in Minnesota</b>	<b>28,246</b>
<b>Wages Paid to Forest Industry Employees</b>	
Pulp, Paper, Board Plants	\$233,291,695
<b>Total Wages Paid (All)</b>	<b>\$1.5 billion</b>
<b>Value of Forest Products</b>	
Pulp and Paper	\$2,048,529,277
Board	175,895,790
Sawmills (lumber, posts, paneling)	1,380,944
Pulpwood Shipped Out of State	4,500,000
Christmas Trees	30,000,000
Mill By-Products	12,291,176
Converted Paper Products	2,811,337,958
Wooden Furniture and Fixtures	898,033,952
Containers, Millwork, Other Misc.	
Wood Products	1,626,746,880
Logging & Support Activities	622,224,602
<b>Total</b>	<b>\$8,230,940,578</b>

## MINNESOTA FOREST INDUSTRIES MEMBERS

1. **Bell Lumber & Pole Company**

New Brighton  
Products: Wood utility poles, log home components, custom treating, fence posts and other products.  
(651) 633-4334  
blpole.com

2. **Hedstrom Lumber Company**

Grand Marais  
Products: Hardwood and softwood lumber, specialty pattern work.  
(218) 387-2050  
hedstromlumber.com

3. **Louisiana Pacific Corp.**

Two Harbors, MN; Hayward, WI  
Products: Oriented strand board (OSB), SmartSide® engineered wood siding.  
(218) 834-5652  
LPCorp.com

4. **Minnesota Power**

Duluth  
Products: Providing renewable energy to the forest products industry and the region.  
(218) 722-2625  
mnpower.com

5. **Molpus Woodlands Group, LLC**

International Falls  
Products: Growing environmentally certified timber and managing large-scale working forests.  
(218) 285-7375  
molpus.com

6. **Norbord Minnesota**

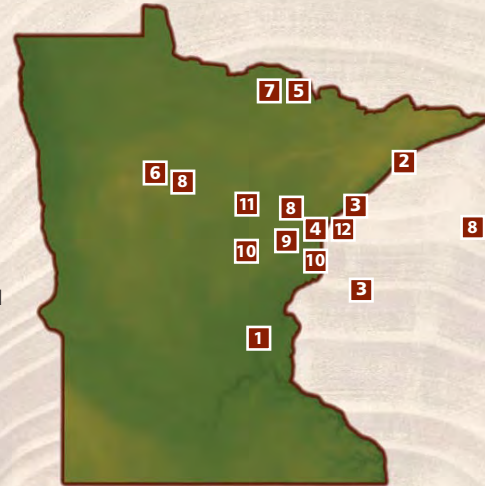
Solway  
Products: Oriented strand board. (OSB)  
(218) 751-2023  
norbord.com

7. **Packaging Corporation of America**

International Falls  
Products: Boise Paper brand – communication, printing, and converting grades.  
(218) 285-5312  
boisepaper.com

8. **Potlatch Land and Lumber**

Bemidji and Cloquet, MN;  
Gwinn, MI  
Products: Lumber, forest products, hunting leases and real estate.  
(218) 879-0427  
potlatchcorp.com



9. **Sappi North America**

Cloquet  
Products: Coated freesheet fine printing and publication paper, packaging paper, specialised cellulose.  
(218) 879-2300  
sappi.com

10. **Savanna Pallets**

McGregor, Cloquet  
Products: Pallets, specialty crates, skids and other wood packaging components.  
(218) 768-2077  
savannapallets.com

11. **UPM, Blandin Paper Mill**

Grand Rapids  
Products: Lightweight coated publication papers.  
(218) 327-6200  
upm.com

12. **Verso Corporation**

Duluth  
Products: Uncoated, lightweight supercalendered magazine and publication papers.  
(218) 628-5100  
versoco.com

### Minnesota Forest Industries contacts:

Wayne Brandt  
Executive Vice President

Ray Higgins  
Vice President for Operations

Ben Bagdon  
Director of Forest Policy



OAG IR 140.14 Attach  
Dk. No. E015/GR-16-664  
Page 12 of 12

# Minnesota's forests are always at your fingertips! **TreezyDoesIt.com**



- ▶ Photos and descriptions of more than 20 tree species
- ▶ See how many things in your home come from Minnesota trees
- ▶ Learn how the cycle of Minnesota's forests never ends
- ▶ Explore careers in Minnesota's forest products industry

## A STATEWIDE COMMITMENT TO HEALTHY FORESTS

*Minnesota Forest Industries (MFI) is an association representing the state's forest products companies. MFI members encourage conservation, proper forest management and industry development that foster sound environmental stewardship, multiple use of timber lands and sustainable, long-term timber supply.*

*For additional information, please log on to [minnesotaforests.com](http://minnesotaforests.com).*



MINNESOTA FOREST INDUSTRIES



903 Medical Arts Building • 324 West Superior Street • Duluth, Minnesota 55802  
218-722-5013 • [minnesotaforests.com](http://minnesotaforests.com)

Printed on paper made in Minnesota.

Copyright 2016 Minnesota Forest Industries.



## WIND POWER NEEDS AMERICAN METALS AND MINERALS

### A single 3MW wind turbine needs:

335 tons steel  
 4.7 tons copper  
 1,200 tons concrete (cement and aggregates)  
 Rare earth elements  
 Aluminum  
 Zinc  
 Molybdenum



## CARS NEED AMERICAN METALS AND MINERALS

### A single car needs:

2,124 lbs. iron & steel	17 lbs. manganese
240 lbs. aluminum	15 lbs. chromium
50 lbs. carbon	9 lbs. nickel
42 lbs. copper, 75 lbs. for a hybrid	4.5 lbs. magnesium
41 lbs. silicon	2 lbs. sulfur
24 lbs. lead	1 lb. molybdenum
22 lbs. zinc	<1 lb. vanadium
	<1 lb. platinum

However, we are increasingly dependent on foreign nations for many critical and strategic minerals.

METALS/MINERALS USED IN CLEAN POWER SYSTEMS	% NET IMPORT RELIANCE*
Concrete .....	7%
Steel .....	13%
Copper .....	36%
Nickel (with recycled) .....	48%
Silver .....	58%
Palladium .....	60%
Zinc .....	74%
Cobalt .....	76%
Platinum .....	79%
Manganese .....	100%
Rare earth elements .....	100%

\*2013 USGS DATA

### WE INVITE YOU TO LEARN MORE

**MINING MINNESOTA**  
 Frank Ongaro, Executive Director  
 ☎ 218.393.2301  
 ✉ [fongaro@miningminnesota.com](mailto:fongaro@miningminnesota.com)  
 🌐 [www.miningminnesota.com](http://www.miningminnesota.com)

### ABOUT MINING MINNESOTA

Mining Minnesota is a membership organization committed to sustainable and environmentally responsible critical and strategic metals mining development. Driven by a diverse coalition of organizations, companies and individuals, Mining Minnesota will bring growth and job creation to the state through the responsible development of Minnesota's natural resources.



## MID-YEAR 2014 UPDATE

OAG IR 140.16 Attach  
 Dk. No. E015/GR-16-664  
 Page 1 of 1

- Building on the success of the two hydro laws enacted in 2013, NHA secured language encouraging non-federal hydropower development at Corps of Engineers facilities as part of the Water Resources Development Act signed into law by President Barack Obama in June. NHA continues to pursue additional policies to remove regulatory barriers and provide financial incentives for hydropower expansion. For more information, contact Jeff Leahey (jeff@hydro.org).
- U.S. Energy Secretary Ernest Moniz announced a new partnership with the industry to develop a long-term vision for the future of hydropower in the United States. The development of this landmark vision over the next year will establish the analytical basis for an ambitious roadmap to usher in a new era of growth in sustainable domestic hydropower over the next half century.
- Americans view hydropower as a clean, reliable and renewable resource, and support policies to maintain and expand its unique contributions to the nation's diverse energy grid, according to new research NHA commissioned in early 2014. With this new information, NHA and its members continue to tell the positive story of hydropower to policymakers, the press, and the public. For more information on the Association's public affairs work and to get involved, contact Matt Nocella (matt@hydro.org).
- NHA has been engaged in the development of FERC's two-year licensing process for certain hydropower projects and gearing up to ensure hydropower's recognition in response to the Environmental Protection

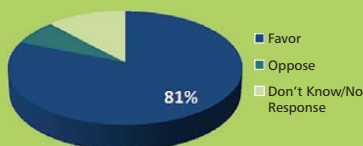
Agency's June proposal to regulate greenhouse gas emissions from existing power plants. For all of NHA's regulatory filings and other important documents, visit [www.hydro.org/resources](http://www.hydro.org/resources).

- NHA's Operational Excellence (OpEx) program has made substantial progress in the past six months with the development of a new website that allows member companies to internally collaborate on developing and submitting Event Reports (ER), and the ability to search the ER database for relevant information and industry best practices. The OpEx website is available at [www.hydroexcellence.org](http://www.hydroexcellence.org). For more information and to get involved, contact Dave Zayas (david@hydro.org).
- Regional meetings in Georgia, Wisconsin, and Alaska have already been held as part of NHA's robust events calendar. Future regional meetings are being planned for Colorado and California this fall. Other upcoming events include our second annual Finance Summit in NYC and Hydraulic Power Committee meeting in Holyoke, MA. For more information visit [www.hydro.org/events](http://www.hydro.org/events) or contact Francesca Blanco (francesca@hydro.org).
- We are constantly growing the NHA family, with 15 new members added this year alone! To learn more about the benefits of joining NHA, contact Diane Lear (diane@hydro.org).
- Over 560 industry members, regulators, policymakers, and media attended NHA's Annual Conference in Washington, DC in April. Get ready for the 2015 conference, April 27-29. Visit [www.nationalhydroconference.com](http://www.nationalhydroconference.com) for more information.



It's time to "pull the cover off this hidden renewable right in front of our eyes," Energy Secretary Ernest Moniz, seen here with NHA Executive Director Linda Church Ciocci, told attendees of NHA's Annual Conference in April.

### Maintain Existing U.S. Hydropower



### Expand Hydropower in the U.S.



Over 80 percent of Americans support maintaining the nation's existing hydropower and three-quarters would like to see it expanded as part of the nation's clean energy future.

## 2014 NHA LEADERSHIP

### Executive Committee

#### President

Marc Gerken, AMP

#### Vice President

Jane Cirrincione, Northern California Power Agency

#### Treasurer

Eric Van Deuren, Pacific Gas & Electric

#### Secretary

Steve Wenke, Avista

#### Executive Director

Linda Church Ciocci

### Board of Directors

William Bunker, Pacific Gas & Electric

Wayne Dyok, Alaska Energy Authority

Kevin Frank, Voith Hydro

Kirby Gilbert, MWH

Carol Goolsby, Duke Energy

Suzanne Grassell, Chelan County PUD

Lisa Grow, Idaho Power

Tom Heller, Missouri River Energy Services

Jeanne Hilsinger, Mavel

Herbie Johnson, Southern Company

Pat McCarty, Tacoma Power

John McCormick, Tennessee Valley Authority

David Moller, Pacific Gas & Electric, (Immediate Past President)

Andrew Munro, Grant County PUD, (Past President)

Debbie Mursch, Alstom

Ken Poletti, Exelon Corporation

Chuck Sensiba, Van Ness Feldman

John Suloway, New York Power Authority

James Hancock, Balch & Bingham LLP (General Counsel)

### Advisory Board

Paul Lau, Sacramento Municipal Utility District

David Sinclair, Advanced Hydro Solutions LLC

### Staff

Jeffrey A. Leahey, Esq., Deputy Executive Director

Diane C. Lear, Director of Member Services

David Zayas, Esq., Sr. Manager of Regulatory Affairs and Technical Services

Matthew Nocella, Manager of Strategic Communications

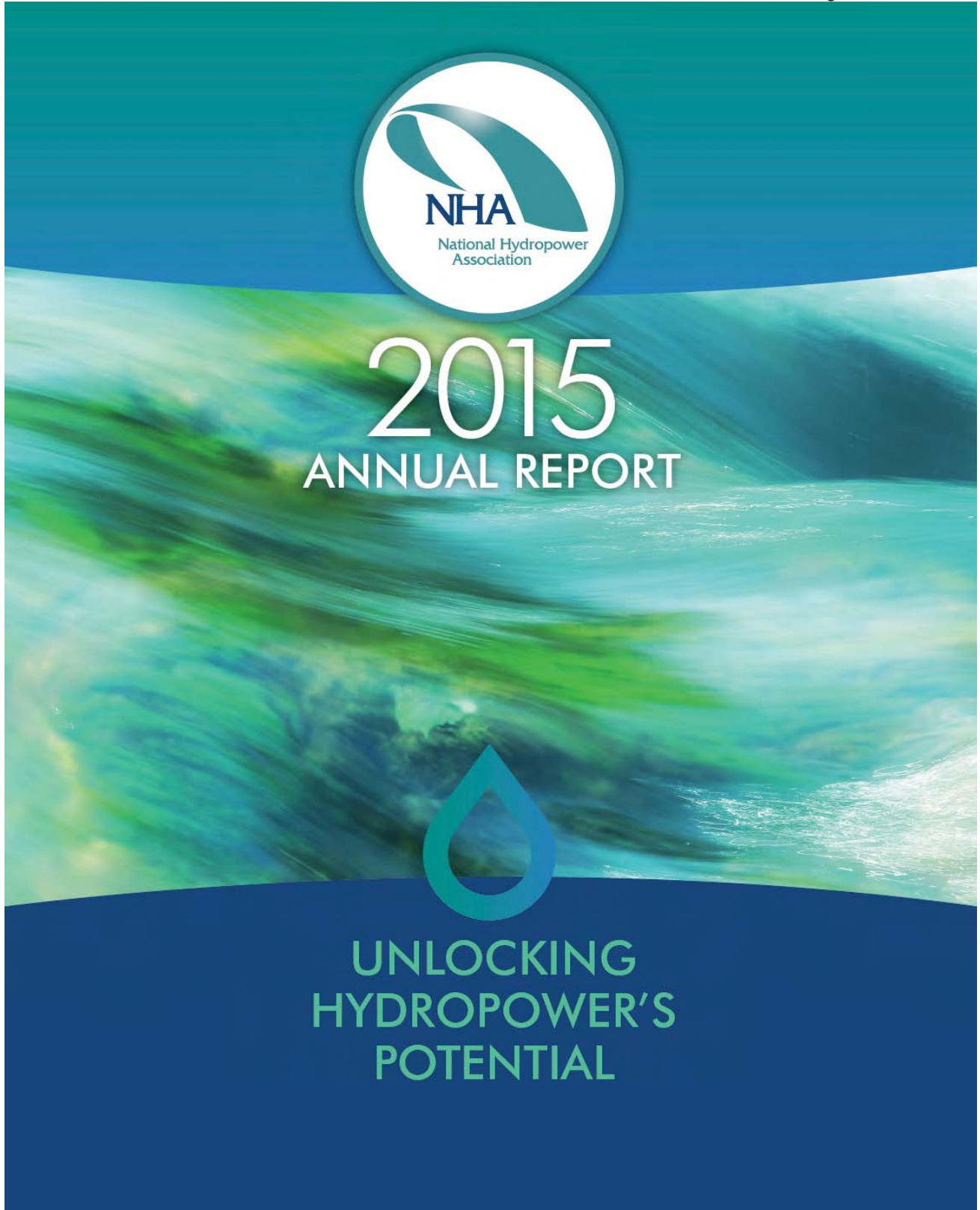
Francesca Blanco, CMP Manager of Meetings and Events

Kimberly Costner, Executive Assistant  
 Luciana Ciocci, Staff Assistant



25 Massachusetts Ave., NW, Suite 450, Washington, DC 20001  
 phone 202.682.1700 • fax 202.682.9478 • [hydro.org](http://hydro.org)







The banner features a background image of a large dam with water cascading over its spillways, and a smaller inset image of a yellow and black hydroelectric turbine in the water. The text is arranged in a clean, professional layout with a mix of bold and regular fonts.

# Hydropower Pumped Storage Marine Energy

## Letter from the President and Executive Director



**John McCormick**  
NHA President

**Linda Church Ciochi**  
NHA Executive Director

At the outset of 2016, in a *New York Times* op-ed, U.S. Senator Lisa Murkowski aptly exclaimed to Congress and the Administration to “Stop Wasting Hydropower’s Potential.” That phrase couldn’t be more fitting, as it perfectly encapsulates NHA’s focus in 2015.

Our legislative efforts were dedicated towards modernizing the licensing process. And throughout our journey to unlock hydropower’s potential, we’ve unveiled a new communications campaign to elevate our message and reach new supporters. As an industry, we worked together to make strides in knocking down the roadblocks that are keeping America’s largest source of renewable electricity from helping to secure our clean energy future. We also received a two-year extension of the production and investment tax credit, and recognition of hydropower in the EPA’s Clean Power Plan, both market drivers for future renewable energy development.

On all fronts, 2015 was a year of successes. We hosted the largest NHA Annual Conference to date, accompanied by two new events—the International Marine Renewable Energy Conference and Marine Energy Technology Symposium. At the same time, our regional meetings throughout the country received record attendance. Operational Excellence continues to grow, as we have expanded its functionality and event reports. And our seamless integration of the marine energy sector has yielded record federal funding for research and development.

All of these successes were made possible by the continued engagement of our members.

As we look to 2016, we see the beginnings of hydropower’s resurgence. The Department of Energy is slated to unveil the Hydropower Visioning report, which will lay the foundation for the growth of waterpower and its contribution to lessening the nation’s carbon footprint.

We encourage you to continue your support of NHA’s work and champion your role in the industry. Hydropower remains untapped. Together, we can realize hydropower’s true value.

Sincerely,

*JPM* *Linda Church Ciochi*

### HYDROPOWER IN AMERICA

- Over 26,600 MW across 228 projects of new hydropower projects are in the FERC licensing pipeline.
- Hydropower provides over 30 million American homes with affordable, renewable power each year.
- Hydropower currently supports over 300,000 American jobs annually and over 2,500 supply chain companies from coast to coast.
- Hydropower capacity exceeds 100,000 MW in the U.S. and generates nearly half of the nation’s renewable electricity.

### WATERPOWER’S POTENTIAL

- Only 3 percent of the 80,000 dams in the U.S. generate electricity.
- The Department of Energy estimates that over 12,000 MW of capacity could be added to the nation’s non-powered dams and 65,000 MW exists in the nation’s stream reaches.
- Recent studies found that America’s technically recoverable wave energy resource is estimated to range between 898–1,229 terawatt hours (TWh) per year, distributed across the coast of Alaska, the West Coast, the East Coast, the Gulf of Mexico, Hawaii, and Puerto Rico.

### OUR CLEAN ENERGY FUTURE

- Hydro avoids approximately 200 million tons of CO<sub>2</sub> emissions annually—that’s like taking 42 million cars off the road!
- Hundreds of millions of dollars are invested each year in environmental enhancements at hydro facilities.
- Industry is constantly innovating and investing in research and development to improve fish passage and ensure greater water quality with enhanced technology.

### PROTECTING THE EXISTING FLEET

- Over the next 15 years, 412 projects with 18,708 MW of capacity will come before FERC for relicensing.
- 45 percent of the projects up for relicensing have a capacity between 1–10 MW.



OAG IR 140.17 Attach  
 Dk. No. E015/GR-16-664  
 Page 3 of 7

## 2015 Legislative and Regulatory Timeline

<b>February 17</b> NHA provided comments on DOE request for information on laboratory-scale and open water testing of marine and hydrokinetic systems.	<b>June 10</b> NHA coordinated and submitted to Congress a letter of support for hydropower, its value and the importance of licensing improvements signed by 55 organizations from across the U.S.	<b>September 2</b> NHA submitted comments on DOE request for information: marine and hydrokinetic environmental monitoring technologies and field testing opportunities.
<b>March 20</b> NHA provided comments to the Department of Energy to advise its strategy to advance marine energy technologies.	<b>June 18</b> NHA coordinated and submitted to Congress a joint utility trade associations letter (EEI, APWA, LPTC, NRECA) in support of hydropower licensing reform provisions.	<b>November 18</b> NHA coordinated and submitted to Congress a joint utility trade associations letter (EEI, APWA, LPTC, NRECA) in support of hydropower licensing reform provisions.
<b>March 26</b> DOE, Corps of Engineers and Department of Interior extend the hydropower Memorandum of Understanding for 5 years.	<b>June 19</b> NHA filed comments on D23's Security Program for Hydropower Projects encouraging D23 to closely coordinate with other agencies in order to avoid unnecessary duplication and inconsistencies with other regulatory regimes.	<b>November 23</b> NHA joined Biomass Power Association and Energy Recovery Council on a joint letter to Congress on long-term extension of base-load renewable energy tax provisions.
<b>March 27</b> NHA filed an appropriations statement supporting \$100 million for DOE water power program for hydro, pumped storage and MHK R&D.	<b>July 21</b> NHA filed comments on a FERC Notice of Proposed Rulemaking titled "Commencement of Assessment of Annual Charges" urging for the continuation of the current practice for non-municipal licensees at the commencement of project construction.	<b>November 30</b> NHA coordinated and submitted to Congress a letter of support for hydropower, its value and the importance of licensing improvements signed by 127 organizations from across the U.S.
<b>April 11</b> NHA filed comments on Senate Finance Committee's Business Tax and Community Development & Infrastructure Working Groups on fundamental tax reform.	<b>July 30</b> Senate Energy and Natural Resources Committee reported the Energy Policy Modernization Act of 2015 out of committee containing provisions to modernize the licensing process.	<b>December 12</b> U.S. House passed the North American Energy Security and Infrastructure Act (H.R.8) containing provisions to modernize the hydropower licensing process.
<b>April 14</b> NHA coordinated a joint letter with base-load renewable energy trade associations on shared principles on tax reform.	<b>August 3</b> EPA released the Clean Power Plan, accepting NHA's comments and energy as a compliance option for states in reducing carbon emissions.	<b>December 16</b> Congress passed a two-year extension of PTC and ITC for hydropower, conduit power and MHK projects.
<b>May 1</b> NHA filed comments on FERC's 2015 Biennial Staff Memo Concerning Retrospective Analysis of Existing Rules on hydropower prelicensing requirements.	<b>August 21</b> NHA and NWHA signed a joint letter to Washington PUC promoting pumped storage modeling and integrated resource planning.	<b>December 18</b> NHA submitted comments on a Department of Energy, U.S. Army Corps of Engineers (Corps), and Federal Energy Regulatory Commission (FERC) proposal intended to improve coordination between the FERC and Corps' licensing and permitting processes for non-federal hydropower development on Corps' infrastructure.
<b>May 13</b> NHA testified before House Energy and Commerce Committee on the need for hydropower licensing improvements and modernization.		
<b>June 1</b> NHA filed comments on the Departments of Agriculture, Interior and Commerce's revised interim final rule for mid-type hearings and alternative conditions under the Energy Policy Act of 2005.		

### Legislative Efforts

In Washington, 2015 was a year generating momentum for hydropower's resurgence. In Congress, comprehensive energy bills are now being introduced on a regular basis. In the past eight years, hydropower has been a high-focus legislative effort to secure meaningful improvements to make the licensing process more collaborative and efficient.

Championing the effort in Congress, Senators Lisa Murkowski (R-AK) and Maria Cantwell (D-WA) and Representatives Cathy McMorris-Rodgers (R-WA) and Jerry McNamara (D-CA), worked hard to include provisions that modernize the licensing process as part of the energy bills. As a result, both the House and Senate energy bills contain provisions that establish the Federal Energy Regulatory Commission (FERC) as the lead agency for purposes of coordinating all permits and authorizations. The bills also improve discipline by directing FERC to develop a schedule for completing its licensing process. We still have a lot of heavy lifting to enact these meaningful improvements into law, but NHA is committed to improving the permitting process, one that can take a decade or more, while protecting environmental values.

For hydropower and marine hydrokinetic energy (MHK), research and development is critical to producing the next generation of water power technologies and jump-start private sector innovation. To that end, NHA was pleased to successfully secure the highest level of funding over the Department of Energy's Water Power Program—an increase of 14 percent from last year's funding. The program received \$70 million in funding (\$45,000,000 for MHK and \$25,000,000 for conventional hydropower and pumped storage). Within the funding provided for MHK, \$22 million will be devoted to support competitive private sector-led research, development, and deployment. For conventional hydropower, \$5 million will go to support pumped storage technologies and almost \$4 million for the EPA's 2005 Section 242 incentive program.

NHA also continues to advocate in Congress for the inclusion of hydropower in clean energy and tax policies. We secured an extension of the PTC and ITC for 2 years through 2016 for hydropower and marine energy. Going forward, we are working with the other base-load renewables to secure long-term extensions and improvements to the tax incentives for our technologies.

### Regulatory Efforts

2015 was also a busy year on the regulatory front. We advocated for the implementation of the Water Resources Reform and Development Act of 2014 provisions to improve the approval process for non-federal development at Corps of Engineers' dams.

With the administration working to reduce greenhouse gas emissions, NHA achieved recognition for hydropower and marine energy as a compliance option for states under the Clean Power Plan (CPP), as they seek to meet carbon emission reduction targets. As states develop their CPP implementation plans, we will continue to encourage them to look to carbon-free hydropower as an effective pathway to lessen their carbon footprint.

In reaction to FERC's 2015 Biennial Staff Memo Concerning Retrospective Analysis of Existing Rules, NHA filed comments identifying a number of hydropower prelicensing requirements and regulations that were ineffective, outdated, or overly burdensome.

Working closely with members of our industry, we filed comments on a FERC Notice of Proposed Rulemaking titled "Commencement of Assessment of Annual Charges," arguing that it would result in fewer hydropower projects being built. NHA recommended FERC maintain the status quo and continue assessing annual charges for non-municipal licensees at the commencement of project construction.

Additionally, NHA submitted comments to the Departments of Agriculture, Interior and Commerce on a revised interim final rule for mid-type hearings and alternative conditions under the Energy Policy Act of 2005. In the comments, among many other topics, NHA encouraged the Departments to revisit their interpretation of the equal consideration requirement.

And to strengthen the long-term working relationship between federal agencies, the Departments of Energy and Interior and the U.S. Army Corps of Engineers extended their Memorandum of Understanding (MOU) for five years. As a new approach to hydropower development, the MOU will help to prioritize similar goals.

2015 demonstrated that NHA has made the hydropower industry a powerful and influential voice in the nation's capital. Hydropower's resurgence is our top priority. And in the New Year, we will continue seeking legislative and regulatory improvements, engaging policymakers, and defending hydropower's role in our clean energy future.

## Top of the Hill LEGISLATIVE & REGULATORY EFFORTS



NHA's Jeff Lechay testifies before the House Energy and Commerce Committee.



Ann Miles, Director of FERC's Office of Energy Projects speaking at 2015 NHA Annual Conference.

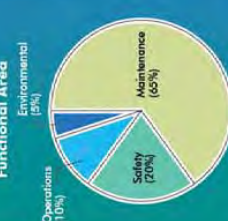


## Pursuing Operational Excellence

NHA's Operational Excellence (OpEx) program, within the Hydraulic Power Committee, is a member-only event-reporting database that receives, distributes, and catalogs hydro operating experience, best practices and lessons learned. OpEx focuses on four areas of interest: (1) safety (dam, employee, and public); (2) operations; (3) maintenance; and (4) environmental performance. OpEx is a tool for the industry to manage aging assets, save limited financial resources, avoid events experienced by others, and train a workforce in transition. OpEx's database contains over 340 lessons learned and corrective actions to prevent the recurrence of an event or reduce or eliminate equipment downtime.

OpEx is the only event reporting program and database available to the hydropower industry.

### Event Reports by Functional Area



Register today at [www.hydroexcellence.org](http://www.hydroexcellence.org).



## Connecting the Hydropower Industry

NHA prides itself on being of service to the industry and our membership. And one of the most important roles we play is bringing hydropower professionals from all segments of the industry together. As such, 2015 was a banner year for providing members with a myriad of opportunities to network and share best practices.

The 2015 NHA Annual Conference brought together over **630 members** of the hydropower industry—making it the largest conference NHA has ever hosted. The Conference was accompanied by two new co-located events: International Market Research Energy Conference (IMREC) and the 3rd Annual Hydropower Energy Technology Symposium (HETS). The co-located events also drew a large crowd, over **140 attendees**, bringing a total of **760 industry professionals** to one place for networking and education.

NHA's regional meetings program continues to be a central part of the hydropower industry's calendar every year. With meetings in California, Alaska, Vermont,

Madison, Johnson with Southern Company speaking at the NHA's Southeast Regional Meeting.



Hydropower industry gathers at 2015 NHA Annual Conference Plenary Session.



## ELEVATING HYDROPOWER'S MESSAGE

Hydropower has a great story to tell. We are playing a key role in America's clean energy future. We are good stewards of the environment. And our potential for growth is real. At NHA, we are continuously working to carry that message to the press, policymakers, and most importantly the public.

In 2015, we began putting in place a new communications strategy to elevate our message, starting with our licensing improvement efforts. As an association, for the first time we launched a communications campaign titled *UnlockHydro*. Our goal was to educate policymakers, raise public awareness, and generate support for modernizing the licensing process.

For 2016, NHA plans to unveil a host of new advocacy campaigns, strategies and tactics to reach supporters of clean energy. Also, with the release of the Department of Energy's Hydropower Visioning Report slated for this summer, our industry will have a powerful tool to establish the value and benefits of waterpower.

As part of the campaign, we unveiled a microsite ([unlockhydro.org](http://unlockhydro.org)), which serves as the campaign's virtual headquarters and member





## NHA 2015 Events

- NHA Annual Conference + International Marine Renewable Energy Conference + Marine Energy Technology Symposium—Washington, DC
- MHUG/MW Regional Meeting—Duluth, MN
- NHA Negotiation Workshop—Lakewood, CO
- NE Regional Meeting—Burlington, VT
- AK Regional Meeting—Anchorage AK
- NWH/NHA Fall Workshop—Eugene, OR
- SE Regional Meeting—Charlotte, NC
- CA Regional Meeting—Sacramento, CA
- HPC Fall Retreat—Birmingham, AL



## BY THE NUMBERS HYDROPOWER IN 2015

**In the FERC Pipeline**  
 26,603 MW across 228 projects

**Preliminary Permits Issued**  
 37 projects, 1,333 MW, 18 states



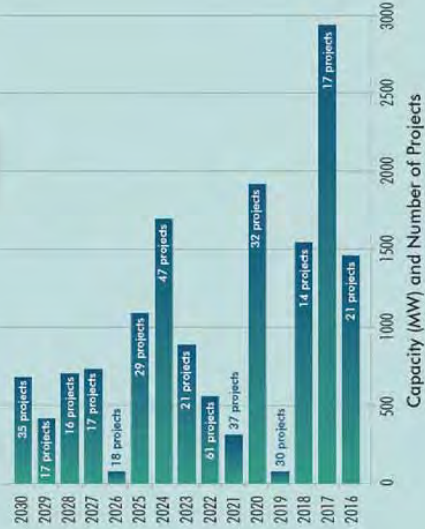
## U.S. Hydropower Fleet Ownership Mix



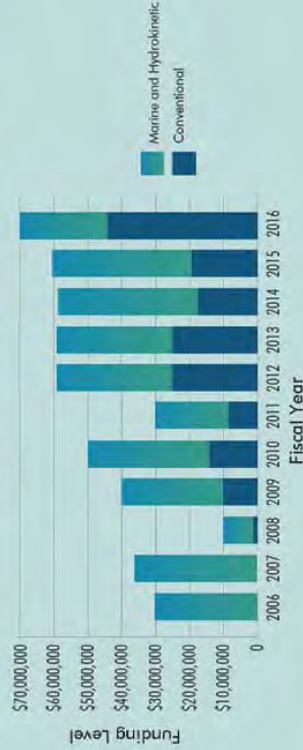
2014 Hydropower Market Report, Department of Energy

## At a Glance: U.S. Hydropower Relicensing

- Over the next 15 years, 412 projects with 18,708 MW of capacity will come before FERC for relicensing.
- 45 percent of the projects up for relicensing have a capacity between 1-10 MW.



## Energy Department Water Power Program Funding





## Outlook

During a presidential election year, it is well known that things slow down in Washington, and priorities get deferred. NHA, however, doesn't see 2016 that way. We have two comprehensive energy bills working their way through Congress that contain key provisions for our industry's future. These provisions will bring our regulatory process into the 21st century, and we will continue to fight to get them signed into law.

The Army Corps of Engineers, Federal Energy Regulatory Commission, and Department of Energy released guidance on developing hydropower on Corps infrastructure, and we are staying vigilant to ensure the proper implementation of the Water Resources Reform and Development Act.

Hydropower and marine energy received a 2-year extension for the PTC and ITC, which is not on par with other renewables. Working with the other baseload industries, we will work to obtain a 5-year extension of the tax

incentives. And we are kicking off a year of review on the issue of relicensing as nearly 30 percent of our existing FERC projects enter the relicensing process. This effort will culminate in a national summit being planned for the fall. These are just a few of our priorities for 2016.

NHA is also gearing up for the release of the Department of Energy's Hydropower Visioning Report. This new tool will provide us a 360 degree view of our industry and a roadmap for future growth.

In the end, the challenges of 2016 are really opportunities—opportunities for increased development, improved communications and a more functional regulatory process.

It goes without saying that NHA can't do this alone. 2015 was a watershed moment for the industry for member engagement. Your continued support will be vital as we move forward.

As always, we encourage you to be involved in every aspect of NHA's work in 2016, as we look forward to another exceptional year for the industry.

NHA President John McCormick and CSAW Chair Joanne Hilsinger present the Outstanding Stewards of America's Waters award to NHA Past President Steve Wenke and NHA Past President Debbie Mursch.

## 2015 Awards

### OUTSTANDING STEWARDS OF AMERICA'S WATERS

New York Power Authority  
 Pacific Gas & Electric  
 Tacoma Power  
 McMillen Jacobs Associates  
 Minnesota Power

### DR. KENNETH HENWOOD AWARD RECIPIENT

John Suloway

### NHA PAST PRESIDENTS' LEGACY SCHOLARSHIP

Scott Schenkelberg,  
 University of Nebraska – Lincoln

## 2015 NHA Leadership

**President**  
**John McCormick**, Tennessee Valley Authority

**Vice President**  
**Steve Wenke**, Avista Utilities

**Treasurer**  
**Debbie Mursch**, GE Renewable Energy

**Secretary**  
**John Suloway**, New York Power Authority

**Past President**  
**Marc Gerken**, American Municipal Power, Inc.

**General Counsel**  
**James Hancock**, Balch & Bingham LLP

### Board of Directors

**Nicolas Bosse**, Brookfield Renewable Energy Partners  
**Linda Church Ciocki**, National Hydropower Association  
**Jane Cirrincione**, Northern California Power Agency  
**Dave Culligan**, HDR Engineering, Inc.  
**Wayne Dyck**, Alaska Energy Authority  
**Marc Gerken**, American Municipal Power, Inc. (Past President)  
**Bob Gallo**, Voith Hydro, Inc. (Advisor)  
**Kirby Gilbert**, MWH Global  
**Lisa Grow**, Idaho Power  
**Tom Heller**, Missouri River Energy Services  
**Randy Herrin**, Duke Energy (Advisor)  
**Joanne Hilsinger**, Mavel Americas, Inc.  
**Herbie Johnson**, Southern Company

**Paul Lau**, Sacramento Municipal Utility District  
**John McCormick**, Tennessee Valley Authority  
**Pat McCarty**, Tacoma Power  
**David Moller**, Pacific Gas & Electric Company (Past President)  
**Andrew Munro**, Grant County PUD (Past President)  
**Debbie Mursch**, GE Renewable Energy  
**Tim Oakes**, Kleinschmidt  
**Charles Sensiba**, Van Ness Feldman LLP  
**David Sinclair**, Advanced Hydro Solutions  
**John Suloway**, New York Power Authority  
**Alvin Thoma**, Pacific Gas & Electric Co.  
**Steve Wenke**, Avista Utilities  
**Pamela Williams**, Sonlee Cooper

## 2015 New Members

Albany Engineering  
 Ampersand Energy Partners/  
 London Economics  
 Aquantis, Inc.  
 Baker Belts L.L.P.  
 Barnard Construction  
 Beacon Hill Consulting  
 Services, LLC  
 City of San Diego  
 Coatings Unlimited, Inc.  
 Columbia Power Technologies Inc.  
 Denver Water  
 Eco Auger  
 Florida Atlantic University  
 Helios Atlas Corp.  
 J. F. Brennan Company Inc.  
 Kearns & West  
 Lawrence Berkeley National  
 Laboratory  
 Lights Camera Action  
 M. J. Sale and Associates  
 Marine Composites Alliance  
 Northwest National Marine  
 Renewable Energy Center

Obermeyer Hydro, Inc.  
 Ocean Power Technologies, Inc.  
 Ocean Renewable Power Company  
 OpenHydro  
 Oregon Wave Energy Trust  
 Oscilla Power  
 Parsons  
 Redding Electric Utility  
 Resolute Marine Energy Inc.  
 Rye Development LLC  
 San Diego County Water Authority  
 Sleeping Giant Power LLC  
 SmartBay Ireland LTD  
 SNC Lavalin Inc.  
 Spingel McDiarmid LLP  
 Summit Global Hydro  
 United States Bureau of  
 Reclamation  
 University of Hawaii  
 Van Heuvelen Strategies  
 Verdant Power Inc.

NHA staff with Jose Zayas, Office Director for the Energy Department's Wind and Water Power Technologies Office at 2015 HydroVision International.

## SAVE THE DATES!

### Upcoming NHA Events

#### NHA CONFERENCES & SYMPOSIUMS

**Waterpower Week in Washington:  
2016 NHA Annual Conference**

**2016 International Marine Renewable Energy Conference (IMREC)**

**2016 Marine Energy Technology Symposium**

#### 2016 NHA REGIONAL MEETINGS

**NHA Southwest Regional Meeting**  
Denver, CO — March 29–30, 2016

**NHA Southeast Regional Meeting**  
Knoxville, TN — May 11–12, 2016

**NHA Northeast Regional Meeting**  
Philadelphia, PA — June 1–2, 2016

**NHA Alaska Regional Meeting**  
Cordova, AK — September 19–20, 2016

**NHA California Regional Meeting**  
San Diego, CA — December 6–7, 2016

#### 2016 NHA HYDRAULIC POWER COMMITTEE (HPC) MEETING

**HPC Fall Retreat**  
Green Bay, WI — October 25–27, 2016 (Tentative)



25 Massachusetts Avenue, NW  
Suite 450  
Washington, DC 20001  
phone 202.682.1700  
fax 202.682.9478  
[www.hydro.org](http://www.hydro.org)





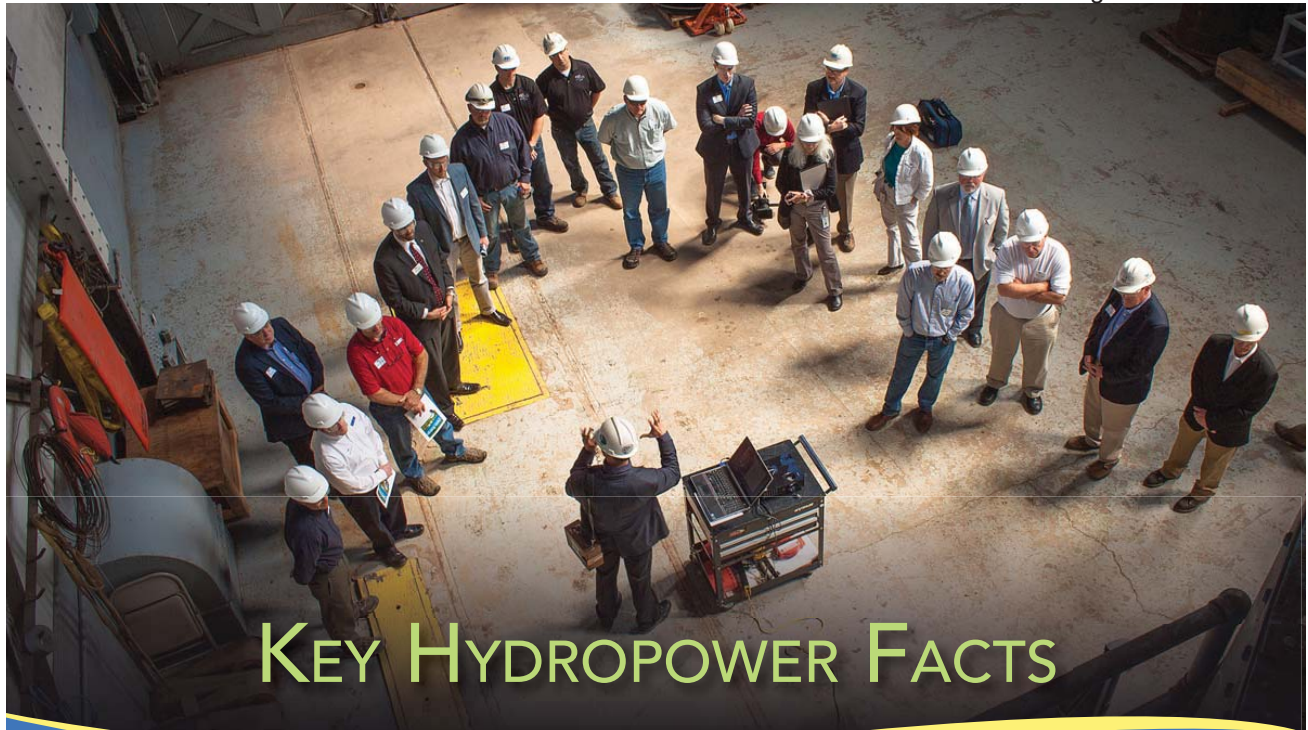


## 2014 ANNUAL REPORT



# HYDROPOWER

## IN AMERICA'S NEW ENERGY ERA



## KEY HYDROPOWER FACTS

### AVAILABLE

- Only 3 percent of the 80,000 dams in the U.S. generate electricity.
- The Department of Energy estimates that over 12,000 MW of capacity could be added to the nation's non-powered dams and 65,000 MW exists in the nation's stream reaches.
- Over 40,000 MW of new hydropower projects are in the FERC regulatory pipeline.
- Hydropower currently supports over 300,000 American jobs annually and over 2,500 supply chain companies from coast to coast. Continued growth could add 1.4 million new jobs.

### RELIABLE

- Hydropower capacity exceeds 100,000 MW in the U.S. and generates approximately half of the nation's renewable electricity.
- Hydropower provides over 30 million American homes with affordable power each year.
- A flexible resource, hydropower is well-suited to meet changing electricity demands.
- Pumped storage hydropower provides a reliable solution for energy storage and grid integration of variable renewable resources like wind and solar.

### AFFORDABLE

- Compared to all other sources of electricity, hydropower has the lowest cost per kilowatt hour.
- States that get the majority of their electricity from hydropower, like Idaho, Washington, and Oregon, on average have energy bills that are lower than the rest of the country.
- Relying only on the power of moving water, hydropower prices are not dependent on unpredictable changes in fuel costs.

### SUSTAINABLE

- Hydro avoids up to 225 million tons of CO<sub>2</sub> emissions annually; that's like taking 42 million cars off the road!
- Satellite imagery shows that the Pacific Northwest, home to the most hydropower in United States, is an island of low carbon emissions.
- Hundreds of millions of dollars are invested each year in environmental enhancements at hydro facilities.
- Industry is constantly innovating and investing in research and development to improve fish passage and ensure greater water quality with enhanced technology.

## LETTER FROM THE PRESIDENT AND EXECUTIVE DIRECTOR

"We have to . . . pick up the covers off this hidden renewable right in front of our eyes," U.S. Energy Secretary Ernest Moniz told the attendees of NHA's Annual Conference in April. And that's exactly what NHA set out to do in 2014: champion the resurgence of hydropower, in all its forms, as America's premier renewable energy resource. Through its tireless efforts, NHA has raised the voice of the hydropower industry to levels no one can ignore, all while strengthening the organization and bringing the industry together.

Additional legislative achievements were attained. New ways to tell our industry's story were created. Operational excellence continues to grow with new tools launched to share information. And we've connected the hydropower industry through events all across the country and in the fall expanded the hydropower family to include the marine energy industry. All of it made possible by the continued engagement of our members.

You can learn more about the successes we've seen in the past year right here in the pages of this report.

As we look to 2015, a new Congress brings new opportunities, and new challenges. Fresh faces in DC may still be blind to the "hidden renewable" right before their eyes. We encourage you to continue your support of NHA's work and champion your role in the hydropower industry to your elected officials.

Together, we can fulfill Secretary Moniz's call to action and advance a positive business environment that values hydropower's current contributions and seeks to expand those benefits to more Americans.

Sincerely,



Marc Gerken  
President



Linda Church Cioffi  
Executive Director





OAG IR 140.18 Attach  
Dk. No. E015/GR-16-664  
Page 4 of 12

## CONTINUING THE POLICY PUSH

In Washington, an association is only as good as its next success. That's why NHA didn't rest on its laurels after securing enactment of two pieces of hydro legislation in 2013. It harnessed that momentum to further boost hydro's role in the nation's energy policies and added the industry's voice to ongoing debates about our nation's energy future.

At the annual conference in April, U.S. Energy Secretary Ernest Moniz announced a new partnership with the hydropower industry to develop a long-term vision for the future of hydropower in the United States. The development of this landmark vision over the next year will establish the analytical basis for an ambitious road map to usher in a new era of growth in sustainable domestic hydropower over the next half century.

New legislative successes were achieved, securing language designed to improve the Army Corps' regulatory process for private hydropower development on Corps' infrastructure as part of the Water Resource Reform and Development Act. The language's inclusion was a direct result NHA's leadership in uniting various stakeholders to agree upon additional improvements in the hydropower regulatory process. As a result, Congress directed the Corps to give priority to non-federal development of hydro at its non-powered facilities while ensuring their permitting is done in a timely and consistent manner. This is significant, as 81 of the top 100 dams with the greatest potential for hydropower capacity identified by the Department of Energy are owned by the Corps.



*U.S. Representative Diana DeGette of Colorado speaking at the 2014 NHA Annual Conference.*

Congress also upped its investments in research and development to improve the full suite of water power technologies. Working with appropriators throughout the year, NHA partnered with the marine energy industry to secure just over \$60 million, a continuation of the \$41.3 million for marine energy and a slight boost to \$19.2 million for conventional hydropower.

NHA also coordinated a response to the Environmental Protection Agency's Clean Power Plan to regulate greenhouse gas emissions from existing power plants, a proposal which, if implemented, will have profound impacts on the state of the nation's electricity portfolio for decades to come. NHA stressed hydropower's role in reducing emissions; the opportunities to increase its growth across the country; its importance in meeting the policy goals of the plan, along with hydro-specific recommendations and accommodations that should be made; and the need for EPA to send stronger signals of support to the states for protecting and preserving the existing hydro system and promoting new generation.

By engaging in the development of a new vision of hydropower, continuing to seek regulatory improvements and financial investment for projects, and defending hydropower's role in our clean energy future, NHA has made the hydropower industry a powerful voice in Washington, DC. The engagement of top policymakers and our continued success is a testament to hydropower's role as a key part of the nation's energy portfolio.

*NHA Executive Director Linda Church Ciocci and U.S. Energy Secretary Ernest Moniz at the 2014 NHA Annual Conference.*

## LEGISLATIVE AND REGULATORY TIMELINE

**March 2014** – NHA filed amicus brief with the Second Circuit Court of Appeals in *Catskill Mountains Chapter of Trout Unlimited, Inc. v. EPA*.

**April 11, 2014** – NHA filed appropriations request with Congressional appropriators seeking \$90 million for the DOE's Water Power Program.

**June 10, 2014** – President Obama signs WRRDA into law with language to make non-federal hydropower development an Army Corps priority.

**July 17, 2014** – NHA advocates in comments filed with DOE for certainty and consistency in implementing the section 242 hydro incentive and secured a number of positive changes to the draft guidance.

**Aug. 2014** – NHA's Hydraulic Power Committee filed comments with FERC's Division of Dam Safety and Inspection outlining concerns with a new Chief Dam Safety Engineering requirement (CDSE), ultimately securing important changes to the CDSE requirement.

**Sept. 18, 2014** – FERC issues Order 800, the final rule implementing the Hydropower Regulatory Efficiency Act of 2013.

**Oct. 3, 2014** – NHA filed comments on FERC's noticed of proposed rulemaking on refining policies and procedures for market based electricity rates.

**Oct. 9, 2014** – NHA filed comments with Fish and Wildlife Service and National Marine Fisheries Service on proposed changes to the process for designating critical habitat and the definition of adverse modification under the Endangered Species Act.

**Nov. 5, 2014** – NHA filed amicus brief with the Supreme Court in *San Luis & Delta-Medota Water Authorities v. Jewell*.

**Nov. 21, 2014** – NHA filed comments with the White House's Quadrennial Energy Review Task Force that included executive and legislative recommendations to increase the role of pumped storage and conventional hydro to meet the energy challenges and transformations facing our energy infrastructure.

**Nov. 24, 2014** – NHA pushed for recognition of hydropower's clean air benefits under the proposed Clean Power Plan in comments filed with the EPA.

**Dec. 12, 2014** – Congress passes defense authorization which includes Bureau of Reclamation Conduit Hydropower Development Equity and Jobs Act to boost conduit hydropower.

**Dec. 19, 2014** – Congress passes and the President signs into law retroactive extension of the production tax credit through end of 2014.

**June 10, 2014**  
President Obama signs  
WRRDA into law with  
language to make  
non-federal hydropower  
development an Army  
Corps priority.

## PURSuing OPERATIONAL EXCELLENCE



NHA's Operational Excellence (OpEx) program is a member-only voluntary event reporting system that receives, distributes, archives, and catalogs hydro operating experiences and resulting best practices and lessons learned. OpEx's scope and focus is on events related to safety (dam, employee, and public), operations, maintenance and environmental performance, and is intended to be a tool to help avoid events experienced by others, train a workforce in development, and assist in managing aging assets.

In 2014, OpEx launched [hydroexcellence.org](http://hydroexcellence.org) a new website providing the only event reporting program and database available to the hydropower industry. Please visit [hydroexcellence.org](http://hydroexcellence.org) where you will be able to search the database of event reports and best practices.

## CONNECTING THE HYDROPOWER INDUSTRY

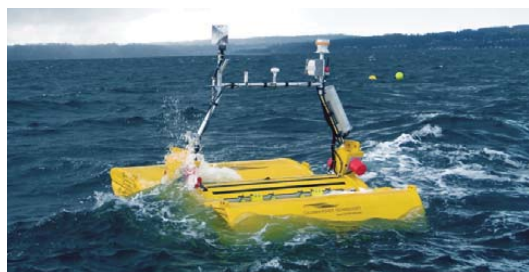
In-person and virtually, NHA is the gathering point for hydropower professionals from all segments of the industry. And we're constantly growing our family and expanding our reach. With new staff in place, NHA was able to provide members myriad opportunities to network, share best practices, and connect with their association.

The Annual Conference brought nearly 600 policymakers, regulators, generators, industry professionals, and more together in the nation's capital to celebrate the successes of the past year. NHA honored legislators of the year for their work to enact the Hydropower Regulatory Efficiency Act and saw the first-ever address by a sitting U.S. Secretary of Energy.

The regional meetings program continues to be a central part of the hydropower industry's calendar every year, averaging 115 attendees at events in California, Alaska, Georgia, Wisconsin, and Colorado. Additionally, NHA hosted its first series of webinars, giving NHA members a low-cost, virtual opportunity to engage on important issues facing the industry, including cyber security and tax policy.

This packed schedule saw four new events added to the offerings for NHA members to share information and network. From coast-to-coast, NHA events and webinars attracted over 1,300 participants, the largest involvement in NHA history.

And in December, NHA formed the Marine Energy Council to provide a home for the marine energy community, cementing NHA's role as the unified trade association representing the full spectrum of water power technologies. The MEC unites technology developers, academic institutions, consultants, component suppliers and service providers representing the wave, tidal, ocean current, and riverine sectors and focuses attention on the potential growth opportunities of emerging technologies, share information among industry members, and provide a forum in which to discuss the various challenges ocean, tidal, hydrokinetic and emerging water technologies face.



Columbia Power's SeaRAY wave power device undergoing sea trials in Puget Sound.



Local, state, and federal officials attended Minnesota Power's "Hometown Hydro" event at their Fond du Lac hydro facility near Duluth in May 2014. Each dignitary, including NHA's Jeff Leahey (second from left), received a commemorative medallion at the kick-off event.



## EXTOLLING HYDRO'S ROLE IN A NEW ENERGY ERA

NHA continues to expand its work telling the story of the benefits our families, economy, and grid enjoy thanks to hydropower, employing new research and new digital content to inform our audiences.

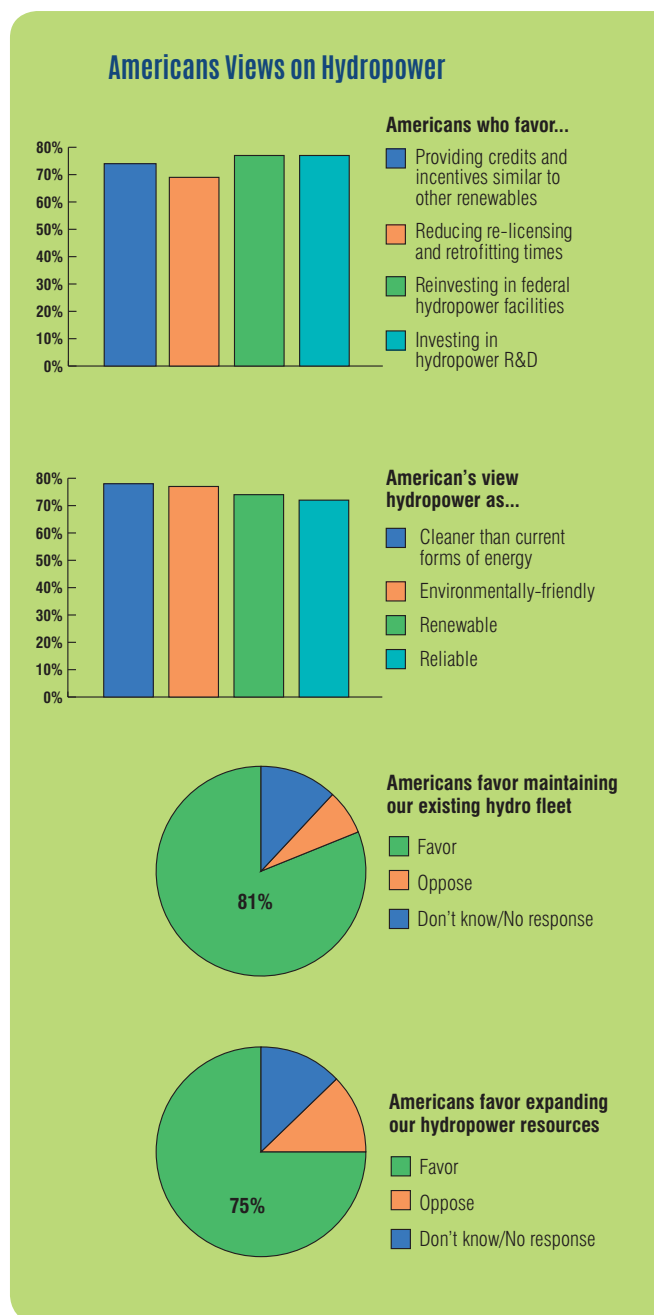
Through new public polling, the first of its kind in nearly 12 years, we learned that Americans view hydropower as a clean, reliable and renewable resource, and support policies to bolster its unique contributions to the nation's diverse energy grid. The NHA-commissioned research found broad bipartisan public support for our nation's original renewable, including a strong belief in maintaining the current hydropower infrastructure and expanding the energy source going forward.

The industry has constantly articulated one simple fact: Hydropower is America's key renewable energy source now and for our future. And NHA has always looked for new ways to carry that message to policymakers, the press, and the public. That's why this year we developed our first original digital content in the form of a two-and-a-half-minute video about the important role hydropower plays in our nation.

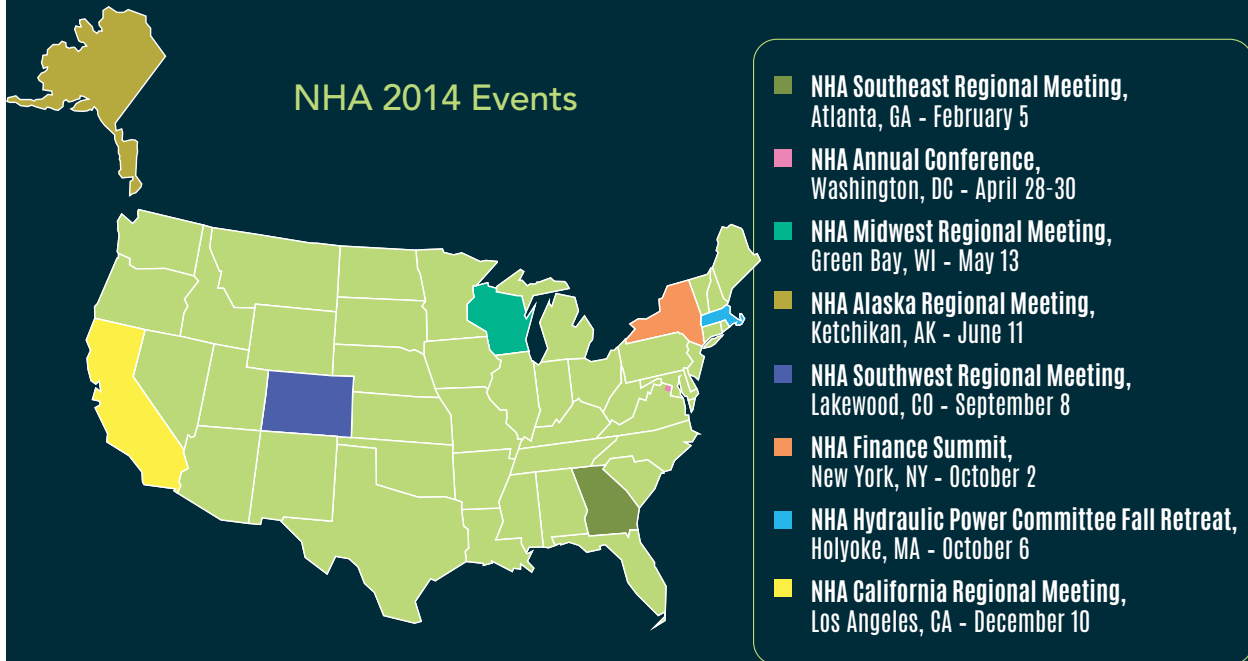
Available on YouTube, "Hydropower in America's New Energy Era" lays out the important benefits hydropower already brings to our nation's electricity grid, as well as some of the opportunities we have to expand those contributions while providing for a clean, renewable electricity tomorrow. You are encouraged to share this video with your customers, clients, ratepayers, co-workers, friends, family . . . any and every audience you can think of!



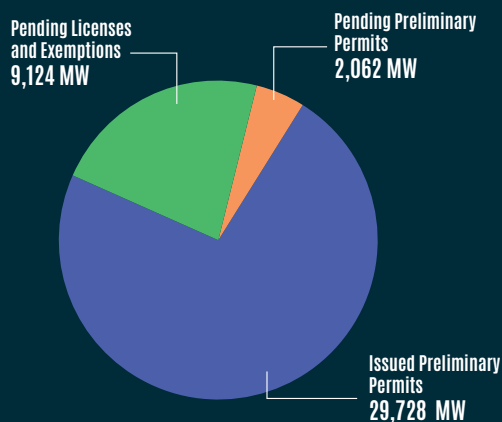
NHA would like to extend a special thanks to industry members who contributed to the development of this video: Alstom, Andritz, Brookfield Renewable Energy Partners, Grant County PUD, Idaho Power, Mavel, Minnesota Power, MWH, Natel, New York Power Authority, Northern California Power Agency, Santee Cooper, Snohomish County PUD, Southern Company, Tacoma Power, TransCanada, and the U.S. Army Corps of Engineers.



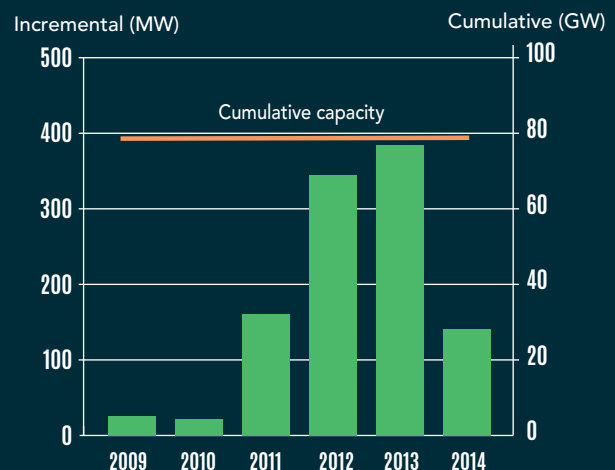
## BY THE NUMBERS: HYDROPOWER IN 2014



### 40,914 MW in FERC Pipeline

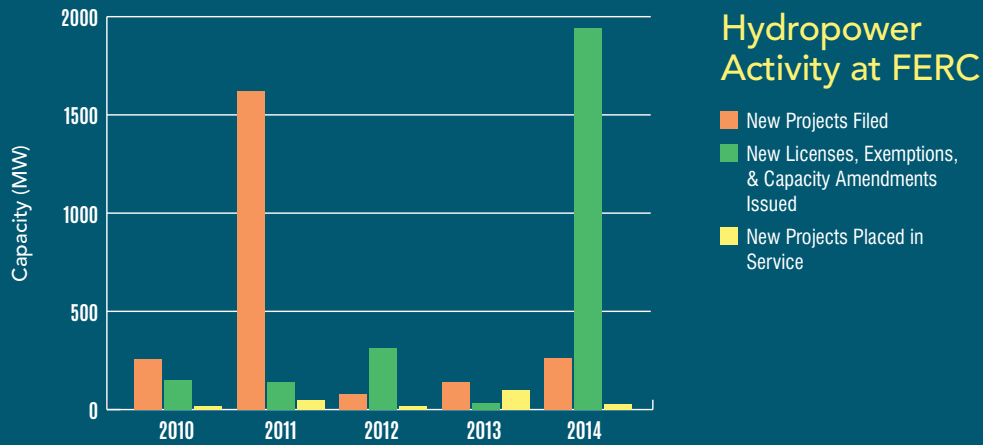


### U.S. Hydropower Build



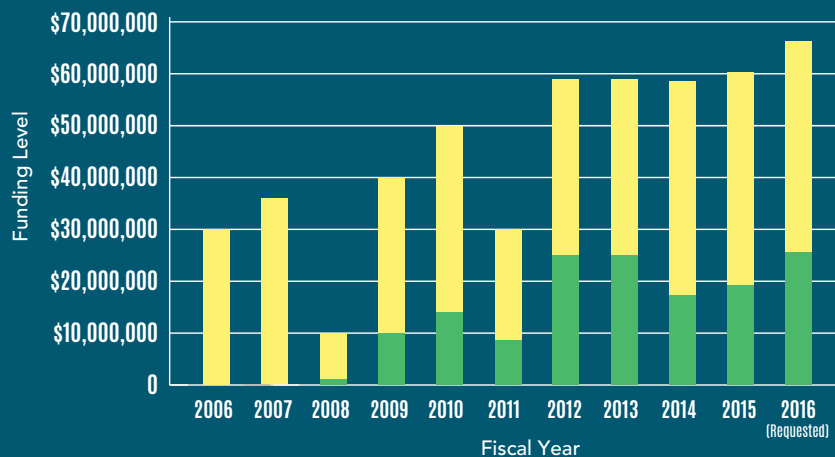
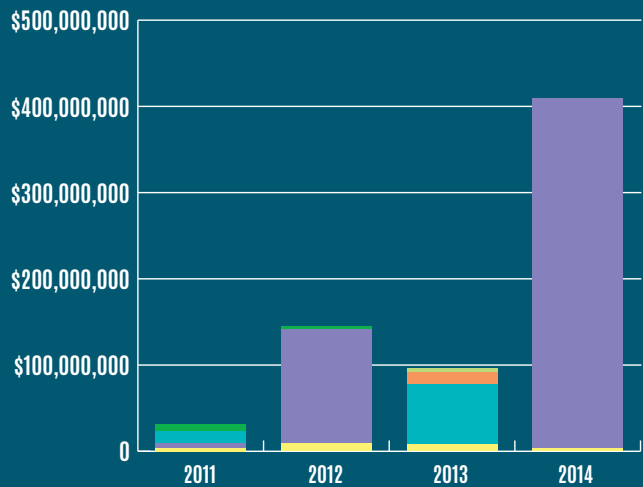
Source: Sustainable Energy in America Factbook, Bloomberg New Energy Finance, EIA

Notes: 2014 results are as of end-October 2014. Excludes pumped storage.



### Federal Investments in Hydropower

- Production Tax Credit
- Section 1603 Grants
- Advanced Hydropower Development (DOE)
- Rural Energy for America Program (USDA)
- Marine and Hydrokinetic System Performance Advancement Projects (DOE)
- 48C Advanced Energy Manufacturing Tax Credit



### Department of Energy Water Power Program

- Marine and Hydrokinetic
- Conventional

## OUTLOOK

2015 brings with it a new Congress, new opportunities, and new challenges to be met by our industry.

Despite many legislative successes in 2014, the expiration of tax incentives at the end of 2014 has left the industry with financial uncertainty as it looks to develop new hydropower projects. It is critical that Congress provide that certainty to developers looking to expand our vastly untapped hydropower resource.

Congress must be continually educated on the need for robust investment in advancing research and development for the range of water power technology. NHA will be on the Hill with our member partners advocating continued funding for both conventional and marine and hydrokinetic technologies at the DOE's Water Power Program.

NHA will also work to ensure the continued implementation of our past successes. The Federal Energy Regulatory Commission's development of a two-year licensing process for hydropower projects is still ongoing. The Army Corps still

needs to implement Congress' direction to make hydropower development at their facilities a priority. And the EPA will finalize its rule on greenhouse gases this year. NHA will need its members support engaging with all of these agencies to ensure hydropower is recognized for the benefits it brings to our nation's grid.

All this will take place as Republican leaders, now at the helm of both chambers of Congress, look to develop a comprehensive energy package, the first of its kind in almost a decade. This presents a new opportunity to achieve additional regulatory improvements for existing projects and new development, thus improving the business environment for hydropower in the United States. NHA, working with our member companies, will seize this opportunity and be at the forefront of the discussions to enact licensing reform provisions.

NHA can't do this alone; continued member engagement and support will be vital. We encourage you to be involved in every aspect of NHA's work over the next year and look forward to another banner year for hydropower victories in 2015.

## WELCOME NEW MEMBERS, 2014

NHA continues to strengthen the hydropower industry with the addition of these new member organizations in 2014. Not a member? Contact Diane Lear at [diane@hydro.org](mailto:diane@hydro.org) for membership information.

Absakora Energy LLC  
Americas Energy Holding Company  
Ames Construction, Inc.  
City of San Diego  
COH INC  
Columbia Technologies, Inc.  
David Moore Law  
H2O Power LP  
ICP Hydro  
kW River Hydroelectric  
Lights Camera Action  
Northwest Hydraulic Consultants  
Ocean Renewable Power Company  
Oregon Iron Works  
Oregon Wave Energy Trust  
Parsons  
Pioneer Motor Bearings

Preti, Flaherty, Beliveau and Pachios LLP  
Resolute Marine Energy, Inc.  
Sabine River Authority of Texas  
San Diego County Water Authority  
Schnabel Engineering  
South Carolina Electric & Gas (SCANA)  
Southern California Edison

Stantec  
Summit Global Hydro  
Tomlin Infrastructure Group  
Trelleborg Sealing Solutions America  
Verdant Power  
VibroSystM  
Whooshh Innovations



*NHA events provide great networking opportunities.*



*NHA Executive Director Linda Church Ciocchi participates in the grand opening of Kaukauna Utilities' Badger Hydro.*

## 2014 Awards

### LEGISLATORS OF THE YEAR AWARD

U.S. Senator Lisa Murkowski of Alaska  
U.S. Senator Ron Wyden of Oregon  
U.S. Representative Cathy McMorris Rodgers of Washington  
U.S. Representative Diana DeGette of Colorado

### OUTSTANDING STEWARDS OF AMERICA'S WATERS

Grant County Public Utility District  
Tacoma Power  
Georgia Power  
Portland General Electric  
Northwest RiverPartners  
Kaukauna Utilities

### DR. KENNETH HENWOOD AWARD

Michael Swiger, Van Ness Feldman LLP

### NHA PAST PRESIDENTS' LEGACY SCHOLARSHIP

Thomas Decker, State University of New York  
Nicole Peterson, University of Wyoming

## 2014 NHA Leadership

### EXECUTIVE COMMITTEE

President  
**Marc Gerken**, AMP  
Vice President  
**Jane Cirrincione**, Northern California Power Agency  
Treasurer  
**Eric Van Deuren**, Pacific Gas & Electric  
Secretary  
**Steve Wenke**, Avista  
Immediate Past President  
**David Moller**, Pacific Gas & Electric  
Executive Director  
**Linda Church Ciocchi**  
General Counsel  
**James Hancock**, Balch & Bingham LLP

### BOARD OF DIRECTORS

**William Bunker**, Pacific Gas & Electric  
**Wayne Dyok**, Alaska Energy Authority  
**Kevin Frank**, Voith Hydro  
**Kirby Gilbert**, MWH  
**Carol Goolsby**, Duke Energy  
**Suzanne Grassell**, Chelan County PUD  
**Lisa Grow**, Idaho Power  
**Tom Heller**, Missouri River Energy Services  
**Jeanne Hilsinger**, Mavel  
**Herbie Johnson**, Southern Company  
**Pat McCarty**, Tacoma Power  
**John McCormick**, Tennessee Valley Authority  
**Andrew Munro**, Grant County PUD, (Past President)  
**Debbie Mursch**, Alstom  
**Ken Poletti**, Exelon Corporation  
**Chuck Sensiba**, Van Ness Feldman  
**John Suloway**, New York Power Authority

### ADVISORY BOARD

**Paul Lau**, Sacramento Municipal Utility District  
**David Sinclair**, Advanced Hydro Solutions LLC

### STAFF

**Jeffrey A. Leahey, Esq.**, Deputy Executive Director  
**Diane C. Lear**, Director of Member Services  
**David Zayas, Esq.**, Sr. Manager of Regulatory Affairs and Technical Services  
**Matthew Nocella**, Manager of Strategic Communications  
**Francesca Blanco, CMP**, Manager of Meetings and Events  
**Kimberly Costner**, Executive Assistant  
**Luciana Ciocchi**, Staff Assistant



## Save the Dates! Upcoming NHA Events

### NHA CONFERENCES & SYMPOSIUMS

April 27–29, 2015, Washington, DC:

- 2015 NHA Annual Conference
- 2015 International Marine Renewable Energy Conference (IMREC)
- 2015 Marine Energy Technology Symposium (METS)

April 25–27, 2016: 2016 NHA Annual Conference, Washington, DC

### 2015 NHA REGIONAL MEETINGS AND WORKSHOPS

May 19–20: NHA Midwest/MHUG Regional Meeting, Duluth, MN

June 23–24: NHA Negotiation Workshop, Lakewood, CO

August 18–20: NHA Alaska Regional Meeting, Anchorage, AK

August 27–28: NHA Southeast Regional Meeting, Charlotte, NC

September 23–24: NHA Northeast Regional Meeting, Burlington, VT  
(tentative)

October 14–15: NHA Northwest/NWHA Regional Meeting, Eugene, OR

November 5–6: NHA California Regional Meeting, Sacramento, CA  
(tentative)

### 2015 NHA HYDRAULIC POWER COMMITTEE (HPC) MEETINGS

April 29: HPC Spring Annual Meeting, Washington, DC

October 4–7: HPC Fall Retreat, Birmingham, AL

### 2015 NHA EVENTS AT HYDROVISION

July 14: NHA Town Hall Meeting and NHA Booth (#5059), Portland, OR



25 Massachusetts Avenue, NW  
Suite 450  
Washington, DC 20001  
phone 202.682.1700  
fax 202.682.9478  
[www.hydro.org](http://www.hydro.org)





## MID-YEAR 2015 UPDATE

- NHA launched a highly-focused legislative and communications effort to secure meaningful improvements to the licensing and regulation of hydropower projects, modernizing the process while preserving environmental standards. For more information and to get involved, contact Jeff Leahey ([jeff@hydro.org](mailto:jeff@hydro.org)).
- NHA continues to advocate in Congress for the inclusion of hydropower in clean energy and tax policies. NHA seeks the extension of the hydropower production and investment tax credits; has secured introduction of bills to reauthorize the EPAct of 2015 Section 242 hydropower production incentive; and is working to maintain robust funding of the DOE Water Power R&D program.
- As the Administration's Clean Power Plan proposed rule is finalized, NHA continues to meet with the EPA and other DC trade associations to discuss how hydropower should be included as a compliance mechanism in state implementation programs.
- 2015 has been a very active year on the regulatory front. NHA advocated for the implementation of the Water Resources Reform and Development Act of 2014. The Association also submitted comments in response to FERC proposals to revise prefiling requirements and regulations; alter the start date of annual charges for private licensees; and changes to the security program for hydropower projects.
- In addition to presenting the program throughout the country, NHA's Operational Excellence (OpEx) program developed a short promotional video demonstrating how and why member companies use OpEx to achieve operations, maintenance, safety and environmental goals. The video is available on the OpEx website at [hydroexcellence.org](http://hydroexcellence.org). For more information and to get involved, contact Dave Zayas ([david@hydro.org](mailto:david@hydro.org)).
- The Midwest Regional Meeting and Negotiation Workshop have already been held as part of NHA's robust events calendar. Future regional meetings are being planned for Alaska and Southeast later this summer and Northeast and California this fall. For more information visit [hydro.org/events](http://hydro.org/events) or contact Francesca Blanco ([francesca@hydro.org](mailto:francesca@hydro.org)).
- NHA formed the Marine Energy Council, which unites technology developers, academic institutions, component suppliers and service providers representing the wave, tidal, ocean current, and riverine sectors and focuses attention on the potential growth opportunities of emerging technologies. The Council also supports legislative and regulatory policies to advance the industry.
- At NHA's 2015 Annual Conference, the Department of Energy's Water Power Program unveiled the first-of-its-kind 2014 Hydropower Market Report. The report is being hailed as the most comprehensive portrait of the hydropower industry to date.
- The 2015 NHA Annual Conference brought in over 630 members of the hydropower industry—making it the largest conference NHA has ever hosted. The Conference was accompanied by two new co-located events: International Marine Renewable Energy Conference (IMREC) and the 3rd Annual Marine Energy Technology Symposium (METS). The co-located events also drew a large crowd, over 140 attendees, bringing a total of 780 industry professionals to one place for networking and education. Get ready for the 2016 conference, April 25–27. Visit [nationalhydroconference.com](http://nationalhydroconference.com) for more information.
- The NHA family continues to grow with the addition of 35 new members this year alone! To learn more about the benefits of joining NHA, contact Diane Lear ([diane@hydro.org](mailto:diane@hydro.org)).



2015 NHA Annual Conference panel with Joe Goffman, EPA Associate Assistant Administrator; Jose Zayas, DOE Director of Wind and Water Power Programs; and Jonathan Pershing, DOE Principal Deputy Director.



NHA Past President John Suloway (left) prepares to testify before Congress on licensing reform.

## 2015 NHA LEADERSHIP

### Executive Committee

#### President

John McCormick, Tennessee Valley Authority

#### Vice President

Steve Wenke, Avista Utilities

#### Treasurer

Debbie Mursch, Alstom

#### Secretary

John Suloway, New York Power Authority

#### Past President

Marc Gerken, American Municipal Power, Inc.

### Board of Directors

Linda Church Ciocci, NHA Executive Director

Nicolas Bossé, Brookfield Renewable Energy Partners

Jane Cirrincione, Northern California Power Agency

Dave Culligan, HDR Engineering, Inc.

Wayne Dyok, Alaska Energy Authority

Marc Gerken, American Municipal Power

Kirby Gilbert, MWH Global

Lisa Grow, Idaho Power

Tom Heller, Missouri River Energy Services

Jeanne Hilsinger, Mavel Americas, Inc.

Herbie Johnson, Southern Company

Paul Lau, Sacramento Municipal Utility District

John McCormick, Tennessee Valley Authority

Pat McCarty, Tacoma Power

David Moller, Pacific Gas & Electric Company

Andrew Munro, Grant County PUD

Debbie Mursch, Alstom

Tim Oakes, Kleinschmidt Group

Charles Sensiba, Van Ness Feldman LLP

David Sinclair, Advanced Hydro Solutions

John Suloway, New York Power Authority

Alvin Thoma, Pacific Gas & Electric Company

Steve Wenke, Avista Utilities

Pamela Williams, Santee Cooper

James Hancock, General Counsel, Balch & Bingham LLP

### Advisory Board

Robert Gallo, Voith Hydro, Inc.

Randy Herrin, Duke Energy

### Staff

Jeffrey A. Leahey, Esq., Deputy Executive Director

Diane C. Lear, Director of Membership Services

Dave Zayas, Senior Manager of Regulatory Affairs and Technical Services

LeRoy Coleman, Senior Manager of Strategic Communications

Francesca Blanco, Manager of Meetings and Events

Kimberly Costner, Executive Assistant

Luciana Ciocci, Staff Assistant



25 Massachusetts Avenue, NW, Suite 450, Washington, DC 20001  
 phone 202.682.1700 • fax 202.682.9478 • [hydro.org](http://hydro.org)



# A VISION FOR GROWTH AND VALUE

2016 ANNUAL REPORT



## HYDROPOWER IN AMERICA

- Approximately 22,000 MW across 179 projects of new hydropower projects are in the FERC regulatory pipeline.
- Hydropower provides over 30 million American homes with affordable renewable power each year.
- Hydropower currently supports over 140,000 American jobs annually and over 2,500 supply chain companies from coast to coast.
- Hydropower capacity exceeds 100,000 MW in the U.S. and generates nearly half of the nation's renewable electricity.

## WATERPOWER'S POTENTIAL

- Only 3 percent of the 80,000 dams in the U.S. generate electricity.
- The Department of Energy's Hydropower Vision report finds that hydropower can sustainably grow by 50 GW by 2050.
- Energy Department reports show that 12,000 MW of capacity could be added to the nation's non-powered dams and 65,000 MW exists in the nation's stream reaches.
- Recent studies found that America's technically recoverable water energy resource is estimated to range between 898–1,299 terawatt hours (TWh) per year, distributed across the coast of Alaska, the West Coast, East Coast, the Gulf of Mexico, Hawaii, and Puerto Rico.

**OUR CLEAN ENERGY FUTURE**

- By increasing hydropower's capacity by 50 gigawatts by 2020, we can:
  1. reduce greenhouse gas emissions by 5.6 billion metric tons
  2. save \$209 billion in avoided global damages from greenhouse gas emissions
  3. reduce cases of acute respiratory symptoms by 5 million
  4. reduce cases of childhood asthma by 750,000
- Hydro avoids approximately 200 million tons of CO<sub>2</sub> emissions annually—that's like taking 42 million cars off the road!
- Hundreds of millions of dollars are invested each year in environmental enhancements at hydro facilities.
- Industry is constantly innovating and investing in research and development to improve fish passage and ensure greater water quality with enhanced technology.



# Letter from the President and Executive Director

2016 was a watershed year for our industry. The release of the Department of Energy's Hydropower Vision report in many ways hit the reset button on the way hydropower is viewed. It reaffirmed the undeniable value of our hydropower system; from its role in the grid to maximizing its market and economic values. Most importantly, it serves as a comprehensive roadmap for our future growth and vitality.

Last year, we launched a legislative full court press dedicated towards modernizing the licensing process. And while the Energy Bill didn't reach the President's desk, we brought the industry one very large step closer to bringing the licensing process into the 21st century. Of the lessons learned, it became clear that, as an industry, when we speak with one powerful voice, we can make great strides toward unlocking the nation's largest source of clean, renewable energy.

2016 was also a big year for our regulatory efforts. In addition to successfully reversing the EPA's position on the Clean Power Plan's Clean Energy Incentive Program to include hydropower as an eligible resource, we held a Relicensing Summit in DC to identify solutions for existing projects. The Summit's findings will be used to develop a proactive administrative-focused action plan for the Regulatory Affairs Committee and Small Hydro Council to pursue over the next several years.

On many fronts, 2016 was a year of successes. Last year, our newly branded Waterpower Week in Washington hosted over 760 attendees. Meanwhile, our regional meetings throughout the country continued to receive record attendance. Operational Excellence also continues to grow, as the program exceeded its goal of event reports in the system. We are pleased to see the industry talking to and learning from each other. And our seamless integration of the marine energy sector has yielded record federal funding for research and development.

All of these successes were made possible by the continued engagement of our members.

As we look to 2017, with a new president, a new administration and a new Congress, we believe, as an industry, that legislative and regulatory gains are within our grasp. And we will continue working on your behalf to protect and value our existing system, while unlocking our potential for growth.

Sincerely,

**Herbie Johnson**  
NHA President

**Linda Church Ciocci**  
NHA Executive Director

Harvey A Johnson  
Linda Cheryl Cicci



**Herbie Johnson**  
*NHA President*



**Linda Church Ciocci**  
NHA Executive Director







OAG IR 140.20 Attach  
 Dk. No. E015/GR-16-664  
 Page 4 of 7

## HYDROPOWER VISION REPORT

Recognizing the untapped potential of hydropower to lessen the nation's carbon footprint, the U.S. Department of Energy released the **Hydropower Vision: A New Chapter for America's 1st Renewable Electricity Source** report—a comprehensive, first-of-its-kind roadmap that offers a 360-degree view of the hydropower industry.

Breaking long held misconceptions, the report hits the reset button on the current perception of hydropower in America. It found that hydropower's capacity can sustainably increase by nearly **50 gigawatts** by 2050—more than doubling our nation's energy storage.

The Hydropower Vision report identifies growth potential in the following areas:

- 4.8 GW of new development on non-powered dams
- 6.3 GW in upgrades on existing hydropower
- 35.5 GW of new pumped storage projects
- 1.75 GW in new stream-reach development

Reaching 50 GW by 2050, however, isn't an abstract concept. It has real-world implications. According to the Hydropower Vision report, we could reduce greenhouse gases and other emissions by **5.6 billion metric tons, support 195,000 jobs** and **avoid 30 trillion gallons of water use**—the equivalent of 45 million Olympic-size pools.

50 by 2050 also means nearly **5 million** fewer cases of acute respiratory symptoms, and over **300,000** fewer cases of childhood upper respiratory symptoms.

Clean and renewable hydropower is available and can play a larger role in securing our clean energy future. As a nation, we can look to this report as a roadmap for unlocking hydro's potential.

For more information on the report, visit [www.hydropowervision.org](http://www.hydropowervision.org)

## OP EX

### NHA OPERATIONAL EXCELLENCE PROGRAM

## Pursuing operational excellence

NHA's Operational Excellence (OpEx) program is a member-only voluntary event reporting system that receives, distributes, archives, and catalogs hydro operating experiences and resulting best practices and lessons learned. OpEx scope and focus is on events related to safety (dam, employee, and public), operations, maintenance and environmental performance, and is intended to be a tool to help avoid events experienced by others, train a workforce in development, and assist in managing aging assets.

Since its launch in 2014, the event reports submitted to OpEx have described over 425 best practices, lessons learned and recommendations in order to prevent a reoccurrence. As the only event reporting program and database available to the hydropower industry, we encourage you to visit [www.hydroexcellence.org](http://www.hydroexcellence.org) to sign up.

Hydropower panel at Waterpower Week.

US Army Corps of Engineers Major General Ed Jackson, Jr. speaks with Waterpower Week attendees.

## Connecting the Hydropower Industry

NHA prides itself on being a service to the industry and our membership. And one of the most important roles we play is bringing hydropower professionals from all segments of the industry together. To that end, we worked hard to provide members with a multitude of opportunities to learn, network and share best practices.

The 2016 Waterpower Week in Washington brought in over 760 members of the hydropower and marine energy industry.

Waterpower Week is comprised of three co-located events: NHA's Annual Conference, International Marine Renewable Energy Conference (IMREC), and the Marine Energy Technology Symposium (METS). Together, these events form the largest tapestry of clean, renewable electricity solutions.

For more information go to: [waterpowerweek.com](http://waterpowerweek.com)

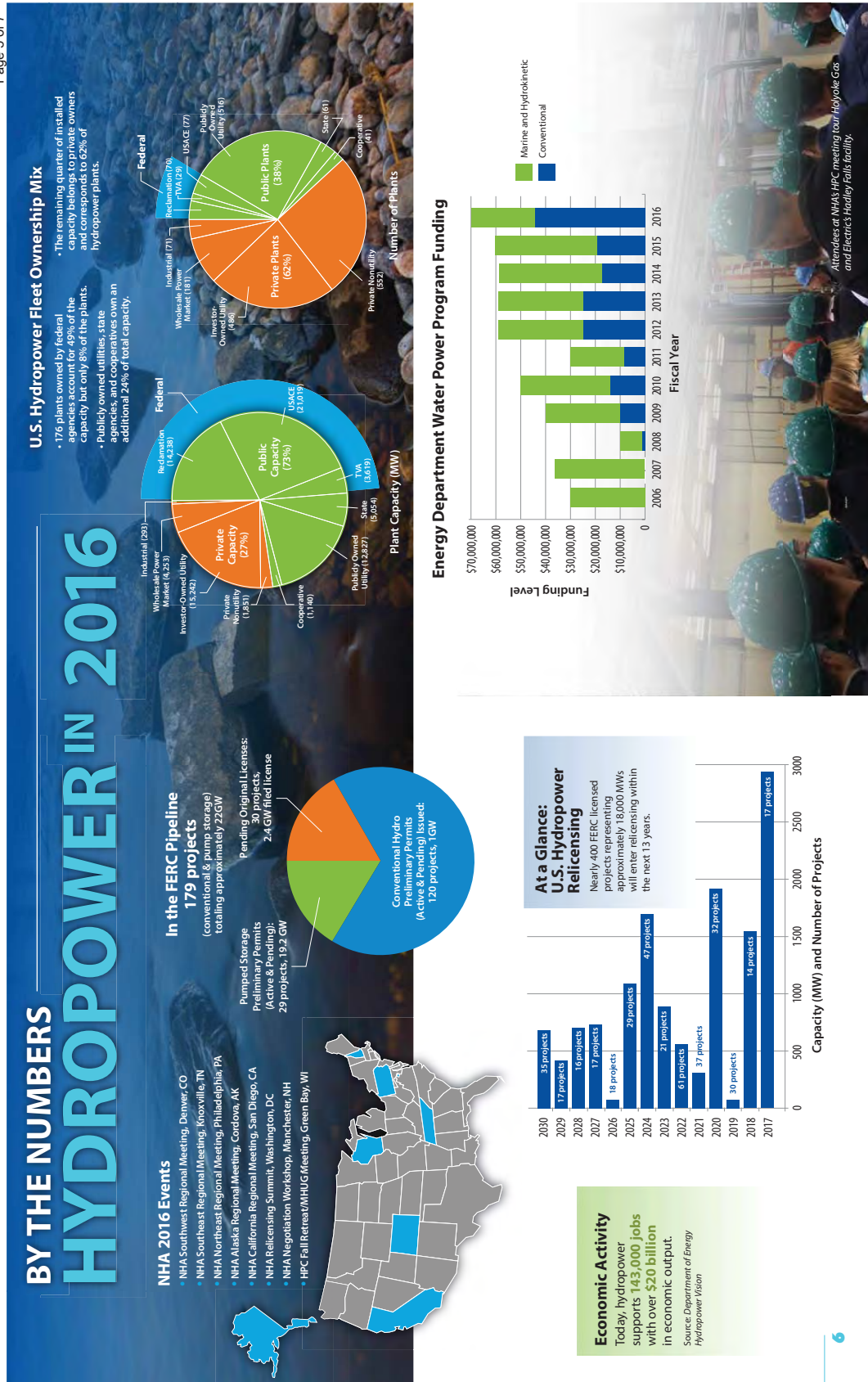
## Are you interested in attending a regional event? Go to Hydro.org for more information.

In 2016, we held meetings in California, Alaska, Tennessee, Colorado, Pennsylvania and New Hampshire, with panels on issues ranging from fish passage to dam safety. And we are pleased to announce that attendance nearly doubled for HPC Fall Retreat in Green Bay, WI, with 154 attendees participating.

For hydro to be successful, we need your voice, help and engagement. We encourage you to continue to take an active role in NHA's events.



OAG IR 140.20 Attach  
Dk. No. E015/GR-16-664  
Page 5 of 7



# Outlook

Why isn't hydropower being valued properly? With so many upcoming relicensings, how can we improve the process? Hydropower technology has come so far, but where is it going? For 2017, NHA seeks to tackle these and other pressing questions. Compensation for hydropower generation in power and environmental markets is critically important. To that end, NHA has created the Value Recognition Taskforce which is charged with identifying market barriers and gaps.

And when it comes to relicensings, we don't need a crystal ball. Over the next 13 year, nearly 400 projects will be up for relicensing. This year, we will be leveraging the results and recommendations from our Relicensing Summit to develop a proactive administrative-focused implementation plan to engage FERC, resource agencies, and the new administration.

We also recognize that research and development is critical to hydropower's future. As such, we have created a new Waterpower

Innovation Council to foster the advancement of tomorrow's technology. The Council is charged with tracking and evaluating major R&D currently underway at national laboratories, government agencies and academia, as well as identifying industry needs and developing recommendations to promote focused technological and environmental research.

In addition to answering these questions, we are still laser focused on modernizing the licensing process. As part of our legislative strategy, we will be working to educate the new administration and new members of Congress.

Each of these efforts is also in keeping with the implementation of the Hydropower Vision report, as we seek to grow the hydro by 50GW by 2050.

As always, we encourage you to be involved in every aspect of NHA's work in 2017, as we look forward to another exceptional year for the industry.



NHA's Past President John McCormick and Vice President Debbie Mursch present Rock Miller with the 2016 Dr. Kenneth Hemwood Award.

## Awards

### 2016 Awards

#### Outstanding Stewards of America's Waters

**Tacoma Power:** Floating Fish Collector

**Duke Energy:** Pines Recreation Area and High Falls Trail Project

**Avista Corporation:** Huntington Park and Spokane Tribal Gathering Place Renovation

**Ocean Renewable Power Company:** RivGen® Power System Commercialization Project

**Grant County PUD:** Manapum Dam Video Tour

#### NHA Past Presidents' Legacy Scholarship

**Andrew Shea,** Ohio State University



## 2016 New Members

American Babbitt	Emrgy, Inc.	Re Vision Consulting
Aquanovis	ERM	Scottish Development International
Azura Wave	Gracon LLC	Sherwin-Williams
BioSonics, Inc.	H2O EcoPower	SML, Inc.
Burns & McDonnell	Independent Consultant	Stewart Machine Co. Inc.
Canadian Hydro Components	JHP Hydro/JHP & Associates, Inc.	TCB Industrial, Inc.
Cardinal Engineering LLC	JSG Communications	TurbinePROs
Coatings Unlimited, Inc.	LaBella Associates, DPC	University of North Carolina—
Copper River Energy LLC	Leidos Maritime Solutions	Coastal Studies Institute
EBC Inc.	Puget Sound Energy	

## Leadership

President <b>John McCormick,</b> Tennessee Valley Authority	Secretary <b>John Suloway,</b> Gomez and Sullivan
Vice President <b>Herbie Johnson,</b> Southern Company	Past President <b>Marc Gerken,</b> American Municipal Power, Inc.
Treasurer <b>Debbie Mursch,</b> GE Renewables	General Counsel <b>James Hancock,</b> Balch & Bingham LLP

### Board of Directors

<b>Nicolas Bossé,</b> Brookfield Renewable Energy Partners	<b>David Moller,</b> Pacific Gas & Electric Company (Past President)
<b>Jane Cirincione,</b> Northern California Power Agency	<b>Andrew Munro,</b> Grant County PUD (Past President)
<b>Dave Culligan,</b> HDR	<b>Debbie Mursch,</b> GE Renewables
<b>Wayne Dyok,</b> H2O EcoPower	<b>Tim Oakes,</b> Kleinschmidt
<b>Marc Gerken,</b> American Municipal Power (Past President)	<b>Charles Sensiba,</b> Van Ness Feldman LLP
<b>Bob Gallo,</b> Voth Hydro, Inc.	<b>David Sindair,</b> Advanced Hydro Solutions
<b>Mike Haynes,</b> Seattle City Light	<b>John Suloway,</b> Gomez and Sullivan
<b>Tom Heller,</b> Missouri River Energy Services	<b>Alvin Thoma,</b> Pacific Gas & Electric Co.
<b>Randy Herrin,</b> Duke Energy	<b>Steve Wenke,</b> Avista Utilities
<b>Jeanne Hillinger,</b> Mavel Americas, Inc.	<b>Pamela Williams,</b> Santee Cooper
<b>Herbie Johnson,</b> Southern Company	<b>Wendy Bley,</b> TRC Companies (advisory)
<b>John McCormick,</b> Tennessee Valley Authority	<b>Frankie McDermott,</b> Sacramento Municipal Utility District (Advisory)
<b>Pat McCarty,</b> Tacoma Power	

8



## SAVE THE DATES!

### 2017 NHA REGIONAL MEETINGS

NHA Northeast Regional Meeting • Portland, ME – July 25  
NHA Midwest Regional Meeting • Des Moines, IA – August 29–30  
NHA Alaska Regional Meeting • Girdwood, AK – September 19  
NHA Southeast Regional Meeting • Atlanta, GA – November 1–2  
NHA California Regional Meeting • San Ramon, CA – December 5

### 2017 NHA HYDRAULIC POWER COMMITTEE (HPC) MEETING

HPC Fall Retreat • Sacramento, CA • October 17–19

### NHA CONFERENCES & SYMPOSIUMS

2018 Waterpower Week • April 20–May 2  
2018 NHA Annual Conference  
2018 International Marine Renewable Energy Conference (IMERC)  
2018 Marine Energy Technology Symposium (METS)



601 New Jersey Ave NW  
Suite 660  
Washington, DC 20001  
phone 202.682.1700 • fax 202.682.9478

**Hydro.org**



OAG IR 152

State Of Minnesota  
Office Of The Attorney General  
Utility Information Request

*In the Matter of the Application of* **MPUC Docket No. E-015/GR-16-664**  
*Minnesota Power for Authority to Increase*  
*Rates for Electric Utility Service in*  
*Minnesota*

**By:** Ian Dobson **Date of Request:** May 17, 2017  
**Telephone:** (651) 757-1432 **Due Date:** May 30, 2017

---

For all responses show amounts for Total Company and the Minnesota retail jurisdiction unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.

Reference: Direct Schedule G-3, page 2.

Provide documentation from each organization listed below identifying funds spent on lobbying, legislative advocacy, regulatory advocacy, marketing, public relations, advertising, donations, club dues, and any other functions identified by each organization.

**RESPONSE:**

Minnesota Power objects to this request as vague as the request states it seeks information on “each organization listed below” but does not provide the list. Further, assuming the referenced organizations are intended to be those set forth in Direct Schedule G-3, p. 2, the request is overly broad and unduly burdensome as it essentially seeks information regarding any function identified by organizations in an extensive list of Corporate Membership Dues for many organizations, many of which have already been addressed in prior OAG Information Requests (see OAG IR 107, OAG IR 140, and OAG IR 141).

Subject to and without waiving this objection, Minnesota Power provides the following information on the organizations listed on Direct Schedule G-3, page 2:

Edison Electric 2015 Membership Dues	OAG 107 and OAG 140
Western Coal Traffic	OAG 107
The Climate Registry	<a href="https://www.theclimateregistry.org/who-we-are/about-us/">https://www.theclimateregistry.org/who-we-are/about-us/</a>
Bloomberg	<a href="https://www.bloomberg.com/">https://www.bloomberg.com/</a> & OAG 141

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019



Montana Coal Council	OAG 107
Midwest Rural Energy Council	<a href="http://mrec.org/">http://mrec.org/</a>
Minnesota Pesticide Information and Education	OAG IR 141
Minnesota Logger Education Program	OAG IR 141
CEATI International	OAG IR 141
Center for Energy Workforce Development	<a href="http://cewd.org/">http://cewd.org/</a>
Minnesota Environmental Initiative	OAG IR 140
UWAG	OAG IR 140
Minnesota Mining	OAG IR 140
Minnesota Forest Industries	OAG IR 140
Minnesota High Tech Association	OAG IR 140
Minnesota Timber Producer Association	<a href="http://www.mntimberproducers.com/">http://www.mntimberproducers.com/</a>
North American Energy Markets Association	<a href="https://www.naema.com/">https://www.naema.com/</a>
Cornet Global Midwest	DOC IR 1191
National Association of Manufacturers	<a href="http://www.nam.org/">http://www.nam.org/</a>
American Wood Protection Association	<a href="http://www.awpa.com/">http://www.awpa.com/</a>
National Coal Transportation Association	<a href="http://nationalcoaltransportation.org/">http://nationalcoaltransportation.org/</a>
Association for Talent Development Corporation	<a href="https://www.td.org/">https://www.td.org/</a>
Shareholder Services Association	DOC IR 1191
Convey Compliance Systems LLC	DOC IR 1191
Corporate Executive Board	DOC IR 1191, OAG 107, & OAG IR 141, item 3)
Energy Solutions – MISO RTO/ISO Markets	OAG IR 141
Mediapro Computer Security	<a href="https://www.mediapro.com/">https://www.mediapro.com/</a>
Navex Global Inc Ethics and Compliance	<a href="http://www.navexglobal.com/en-us/roles/ethics-compliance">http://www.navexglobal.com/en-us/roles/ethics-compliance</a>
Open Access Technology International Inc	<a href="https://www.inc.com/profile/open-access-technology-international">https://www.inc.com/profile/open-access-technology-international</a>
SEPA Smart Electric Power Association	<a href="https://sepapower.org/">https://sepapower.org/</a>
SNL Financial – Regulatory Research	<a href="http://www.snl.com/">http://www.snl.com/</a>
World Steel Dynamics Incorporated	<a href="http://worldsteeldynamics.com/">http://worldsteeldynamics.com/</a>
Windcast Poweriq Service	<a href="http://www.genscape.com/solutions/power/...market-forecasting/windcast-iq">http://www.genscape.com/solutions/power/...market-forecasting/windcast-iq</a>
Better Business Bureau of Minnesota	<a href="https://www.bbb.org/">https://www.bbb.org/</a>
CEB Audit Leadership Council	See Corporate Executive Board, above
Financial Accounting Standards Board	<a href="http://www.fasb.org/home">http://www.fasb.org/home</a>
National Hydropower Association	OAG IR 140
Public Company Accounting Oversight Board	<a href="https://pcaobus.org/">https://pcaobus.org/</a>

---

Witness: Marcia A. Podratz  
 Response by: Sara Carlson / David R. Moeller  
 Title: Cost and Pricing Analyst Senior / Senior Attorney  
 Department: Rates / Legal Department  
 Telephone: 218-355-3019 / 218-355-3963

OAG IR 141

**State Of Minnesota  
Office Of The Attorney General  
Utility Information Request**

In the Matter of the Application of **MPUC Docket No.** E015/GR-16-664  
Minnesota Power for Authority to Increase  
Rates for Electric Utility Service in  
Minnesota

**By:** Ryan Barlow **Date of Request:** May 15, 2017  
**Telephone:** (651) 757-1473 **Due Date:** May 25, 2017

---

For all responses show amounts for Total Company and the Minnesota retail jurisdiction unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.

**Reference: MP Exhibit\_(MAP) Direct Schedule G-3**

- 1) Breakout the lobbying expense O&M adjustment of \$237,194 by the type of activity (e.g. what portion of the adjustment is for EEI membership dues related to lobbying, how much is for Lignite Council, how much is for Clean Air Policy, etc.).
- 2) Clarify the nature of the memberships below and clarify whether the dues for each organization has a portion associated with lobbying activities and if these costs have been removed from the Test Year.
  - a. Center for Energy Advancement though Technological Innovation.
  - b. Bloomberg.
  - c. Midwest Rural Energy Council.
  - d. MN Pesticide Information and Education Organization.
  - e. MN logger Education Program.
  - f. Energy Solutions – MISO RTO/ISO Markets.
- 3) Explain why there are two separate membership dues to Corporate Executive Board (i.e. CEB and CEB Audit Leadership Council). Clarify whether the dues for each organization has a portion associated with lobbying activities and if these costs have been removed from the Test Year.

**RESPONSE:**

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

- 1) Lobbying-related dues included in the \$237,194 total lobbying expense adjustment is \$153,262. This estimated amount was determined from the employee expense review which was based on 2015 actuals expenses. As stated previously, lobbying dues and lobbying expenses are captured in FERC account 426.4 Exp. for Certain Civic, Political & Related Activities. For 2017 EEI lobbying related dues Minnesota Power has expensed \$38,149 to FERC account 426.4.
- 2) The primary purpose and nature of the memberships are to provide essential utility-related information to Minnesota Power that improves utility service, educates, and trains employees in order to carry their employment responsibilities. To the extent that any of these membership costs were excluded from 2015 expenses, that exclusion carried forward into the test year budget.
  - a. The Centre for Energy Advancement through Technological Innovation (CEATI) is a user-driven organization committed to providing technology solutions to its electrical utility participants, who are brought together to collaborate and act jointly to advance the industry through the sharing and developing of practical and applicable knowledge.

CEATI's efforts are driven by over 120 participating organizations (electric & gas utilities, governmental agencies, provincial and state research bodies), represented within 18 focused Interest Groups and specialized Task Forces. Continuously expanding its international reach, CEATI's participants represent 17 countries on 6 continents, a diversity that contributes to the strength of CEATI programs and brings value directly to the participants.

In addition to facilitating information exchange through topic-driven interest groups and industry conferences, CEATI International brings partners together to collaborate on technical projects with a strong practical focus, and develops customized software and training solutions to fit the participants' needs. To do this, CEATI leverages a large network of technology suppliers, with representatives from 1,500 companies worldwide. The annual invoice for membership does not break down any dues attributable to lobbying functions.
  - b. Minnesota Power pays subscription fees to Bloomberg for business and market news, data and analysis *which* includes the applications, software, terminals and live stream data from the capital markets. There are no lobbying activities as part of this subscription.
  - c. Minnesota Power pays membership dues to the Midwest Energy Council, an organization to support outreach, education and research on rural energy issues. It is sponsored by University Extension programs, Department of Agricultural, Biological Systems, or Biosystems Engineering of Wisconsin, Minnesota, Iowa,

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019



and South Dakota. The annual invoice for membership does not break down any dues attributable to lobbying functions.

- d. Minnesota Power pays membership dues to MN PIE organization and is a voting member on their board. They coordinate education for pesticide applicators and keep up to date on legislative changes that may directly affect the utility sector. Their primary function is education and training. The annual invoice for membership does not break down any dues attributable to lobbying functions.
  - e. Minnesota Power has an associate membership with Minnesota Logger Education Program (MLEP) which is a 501(c)3. MLEP provides training & education for biomass suppliers (loggers), access for our foresters to receive continuing education training on MN's forest management guidelines, and a directory of loggers we use in procuring biomass fuel for our co-gen facilities. There are no lobbying activities as part of these dues.
  - f. Minnesota Power pays subscription fees to Customized Energy Solutions (CES). CES is an informational service that provides comprehensive market coverage for MISO, SPP, and IESO (Canadian market). The information from the subscription allows Minnesota Power to effectively manage our assets in the MISO market and keep pace with regional market operational design changes. There are no lobbying activities as part of this subscription.
- 3) The two separate Corporate Executive Board (CEB) memberships are two separate Councils in which Minnesota Power participates. One Council is for the Internal Audit Director and staff and the other Council is for Risk Management Director and staff. DOC IR 1191, item d describes the CEB Internal Audit services provided to Minnesota Power. The Risk Management dues provide web-based services that allow Minnesota Power to access enterprise risk management-related materials such as presentations and training materials. Minnesota Power uses it to benchmark best practices against other CEB members. No portion of the dues for either group is related to lobbying.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

DOC IR 1191

Minnesota Department of Commerce  
Division of Energy Resources  
Information Request

Docket Number: E015/GR-16-664 ☐ Nonpublic ☒ Public  
Requested From: Minnesota Power Date of Request: 3/22/2017  
Type of Inquiry: Financial Response Due: 4/3/2017

Requested by: Nancy Campbell/Dale Lusti/Lerma La Plante/Samir Ouanes  
Email Address(es): nancy.campbell@state.mn.us  
Phone Number(s): 651-539-1821

**Request Number:** 1191  
Topic: Organizational Dues  
Reference(s): Vol. 4, Schedule G-3, pages 1-5

- 
- (A) Please update Schedule G-3 page 1 of 5 to include the 2014 and 2016 actuals for Organizational dues (in the same format).
- (B) Please provide support for the 2017 test year amounts shown on Schedule G-3 page 1 of 5, which appear to be a 12.6% increase over 2015 actuals for Organizational dues.
- (C) Please provide support for the \$29,039 reduction related to Civic Dues as noted in footnote [d] and include actual Civic Dues for 2014 to 2016.
- (D) Please provide more details and explain why ratepayers should pay for the following Organization dues:
- Cornet Global Midwest (p 2 of 5);
  - Shareholder Services Association (p 2 of 5);
  - Convey Compliance Systems (p 2 of 5);
  - Corporate Executive Board (p 2 of 5);
  - Boston College Center for Corporate Community Relations (p 3 of 5);
  - Application & Portfolio Review for GIS Certification (p 3 of 5);
  - IECA annual renewal dues (p 3 of 5);
  - Annual IEEE Membership (p 3 of 5); and
  - Association for Talent Development (p 4 of 5).

**RESPONSE:**

- (A) DOC 1191.01 Attach has the requested information.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

Minnesota Department of Commerce  
Division of Energy Resources  
Information Request

Docket Number: E015/GR-16-664 ☐ Nonpublic ☒ Public  
Requested From: Minnesota Power Date of Request: 3/22/2017  
Type of Inquiry: Financial Response Due: 4/3/2017

Requested by: Nancy Campbell/Dale Lusti/Lerma La Plante/Samir Ouanes  
Email Address(es): nancy.campbell@state.mn.us  
Phone Number(s): 651-539-1821

(B) DOC 1191.02 Attach shows 2017 test year budget for dues. The overall 2017 budget increase of 12% is in part due to 2017 budgeted Edison Electric Institute dues (RC 989) which increased compared to 2015 actuals by 10%. As discussed in Morris Direct (page 7, lines 22-29 and page 8, lines 1-15), when the 2015 economic downturn became evident, MP employed countermeasures to reduce 2015 total actual O&M below the 2015 budget. In the case of dues expense, some of these efforts did not get fully reflected until 2016 O&M due to timing of when some dues expense is paid.

C) The \$29,039 adjustment was based on the 2015 rate case employee expense review and mainly relates to civic related membership and other miscellaneous costs. There is no equivalent analysis for 2014 or 2016 actuals that can be provided.

(D) Below is more detail regarding the organizations listed and ratepayer benefit provided from each.

Corenet Global Midwest: Corenet is a network of real estate developers, professional service providers, brokers and property managers that serve sources of new business development leads. Electric Utilities have found value in being a part of this network in order to receive leads, gain a better understanding of the real estate market conditions in the state and create a point of contact for other Corenet members who are seeking out information on our service areas.

Shareholder Services Association: Membership provides our shareholder service department with current information on best practices, industry trends, developments in technology, compliance with regulation and access to experts to assist with securities related questions. MP ratepayer's benefit from shareholder investments in the form of equity provided to MP as an important source to its overall capital structure.

Convey Compliance Systems: The dues are for tax related software services related to IRS required 1099's.

Corporate Executive Board (CEB): MP belongs to the CEB Audit Leadership Council which provides valuable services including the following:

- Virtual networking through the Audit Director Roundtable/Audit Leadership Council. It includes posting questions to various discussion forums. Internal audit as used for developing audit programs, determining recommendations and gauging best practice.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

Minnesota Department of Commerce  
Division of Energy Resources  
Information Request

Docket Number: E015/GR-16-664 ☐ Nonpublic ☒ Public  
Requested From: Minnesota Power Date of Request: 3/22/2017  
Type of Inquiry: Financial Response Due: 4/3/2017

Requested by: Nancy Campbell/Dale Lusti/Lerma La Plante/Samir Ouanes  
Email Address(es): nancy.campbell@state.mn.us  
Phone Number(s): 651-539-1821

- Training including a solid audit curriculum available on-line used to develop staff and new audit team members. Staff members participate in on-demand training and webcasts which provide valuable training that qualifies for CPE including ethics and fraud.
- Membership provides research materials including examples of best practice approaches to strategic matters impacting the profession, avoiding “reinventing the wheel”. This is especially useful developing our annual audit plan and monitoring external risk factors throughout the year.
- Audit Tools – A resource for specific audit programs examples and risk assessment tools are available for common audit areas used in planning and conducting Internal Audits.

Boston College Center for Corporate Community Relations: BCC is a professional network of Community Affairs professionals from over 400 companies. They provide research, education, current information and networking opportunities that help in MP’s community outreach programs while learning best and most relevant community engagement practices. The center is designed to help companies create more business and social value while supporting leadership development. MP has access to best practices through their “energy partner” segments which provides information on what other energy industry leaders are doing. It saves research time and “trial and error” when applying best practices to our service territory. Membership also includes free monthly webinars, discounts on leadership executive education classes, free weekly and monthly newsletters, and free access to college research which includes benchmarking, reports, and executive summaries.

Application & Portfolio Review of GIS Certification: Geographic Information Systems Professional certification is a program showing technical competency as well as conforming to ethical conduct. Certification is preferred but not a job requirement and is pursued by individual initiative.

IECA International Energy Credit Association: The organization offers best practices in the specialized field of energy risk management and credit. Risk Management lowers MP’s credit and market risk which benefits ratepayers. MISO also requires certain risk management functions and policies in order to be a member.

Institute of Electrical and Electronic Engineers: IEEE is a non-profit organization for professional electrical and electronic engineers which provides technical standards to power and energy industries. It is dedicated to advancing technological innovation and excellence. It publishes

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019



Minnesota Department of Commerce  
Division of Energy Resources  
Information Request

Docket Number: E015/GR-16-664 ☐ Nonpublic ☒ Public  
Requested From: Minnesota Power Date of Request: 3/22/2017  
Type of Inquiry: Financial Response Due: 4/3/2017  
  
Requested by: Nancy Campbell/Dale Lusti/Lerma La Plante/Samir Ouanes  
Email Address(es): nancy.campbell@state.mn.us  
Phone Number(s): 651-539-1821

scientific journals, provides educational conferences and workshops on industry standards, technical issues, and case studies.

Association of Talent Development: ATD is a professional membership organization who supports those who develop the knowledge and skills of employees in organizations. ATD provides research, books, webcasts, events, and education program to support talent development professionals. It was formerly known as American Society for Training and Development.

---

Witness: Marcia A. Podratz  
Response by: Sara Carlson  
Title: Cost and Pricing Analyst Senior  
Department: Rates  
Telephone: 218-355-3019

**Membership Dues - Lobbying**

Organization	2015 Amount	Amount allocated to non-regulated and subsidiaries	Amount Subject to IRS Lobbying Percentage	Percentage Not Deductible (per invoice)	Amount Not Deductible	Percentage recorded to Minnesota Power regulated O&M expense	Additional Lobbying Adjustment
<i>EEI - Regular Activities</i>	256,666	15,381	241,285	13%	31,367	0%	-
<i>EEI - Industry Issues</i>	25,667	1,532	24,135	26%	6,275	0%	-
<i>EEI - Restoration, Operations, and Crisis Management Progr</i>	2,000	119	1,881	-	-	0%	-
<i>EEI - USWAG</i>	27,000	-	27,000	7%	1,890	100%	1,890
<i>EEI - UARG</i>	99,000	-	99,000	-	-	100%	-
<i>Western Coal Traffic</i>	55,000	-	55,000	-	-	87.20%	-
<i>Montana Coal Council</i>	4,000	-	4,000	18%	720	100%	720
<i>Environmental Initiative</i>	8,000	-	8,000	-	-	94%	-
<i>Mining Minnesota</i>	15,000	-	15,000	17%	2,550	100%	2,550
<i>Minnesota Forest Industries</i>	13,669	-	13,669	30%	4,101	100%	4,101
<i>MN High Tech Association</i>	10,000	-	10,000	12%	1,200	88.20%	1,058
<i>National Hydropower Association</i>	20,528	-	20,528	21%	4,311	100%	4,311
<b>Additional adjustment for Lobbying activities</b>							<b>\$ 14,630</b>